

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013



Included in the Higher Education Funds of the State of South Carolina



MIDLANDS TECHNICAL COLLEGE

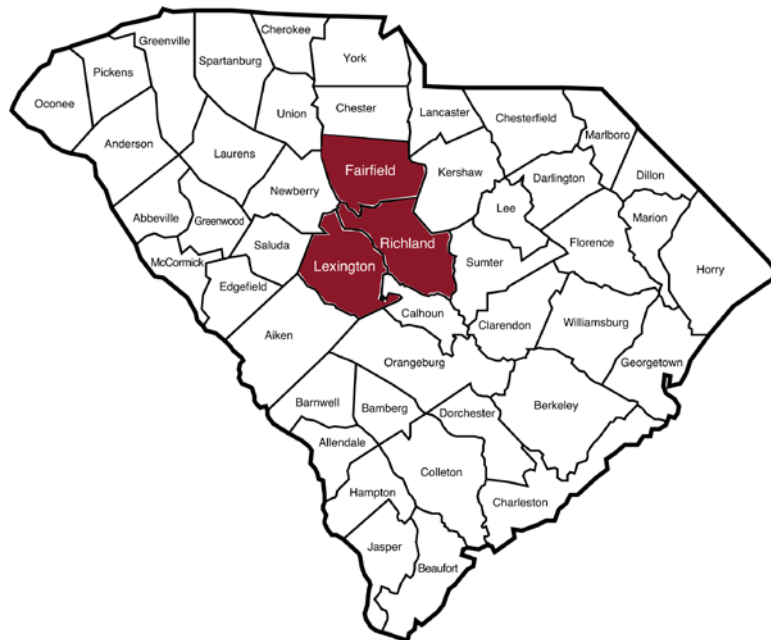
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

A college included in the higher education funds of the state of South Carolina

Statement of Mission

Midlands Technical College is a comprehensive, multi-campus, two-year public college serving the primary region of Richland, Lexington and Fairfield counties of South Carolina. College programs and services provide accessible, affordable, quality education that prepares a diverse student population to enter the job market, transfer to senior colleges and universities, and achieve their professional and personal goals. Through its programs and services, the College equitably provides higher education opportunities and strengthens the economic and social vitality of the community.



*Prepared by
the Finance and Accounting Office*

*Dr. Ronald L. Rhames
Senior Vice President*

*Debbie M. Walker, M.B.A., CGFO
Associate Vice President for Business Affairs*

*Ian A. MacLean, CPA, CGFO
Director of Finance and Accounting*

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

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PRESIDENT'S LETTER

September 23, 2013

Members of the Midlands Technical College Commission and the Community:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year 2012-2013. Each year, the College publishes the CAFR to provide relevant information concerning its operations and financial position.

Midlands Technical College (MTC) is currently the largest provider of transfer students to four-year colleges and universities in South Carolina and the fifth-largest provider of higher education in the State, enrolling approximately 18,000 credit students annually. The College's Corporate and Continuing Education program, one of the largest and most comprehensive in the Southeast, provides continuing education to 30,000 individuals and hundreds of area businesses each year.

During the past year, the College has made great advancements in preparing students for today's in-demand, technology based industries. The College completed construction of the Engineering Technology and Sciences Building on MTC's Northeast Campus. The building is a state-of-the-art classroom and lab facility housing MTC's various engineering technologies programs including engineering transfer and nuclear systems technology. The new facility will also provide essential capacity for education and training in the skilled crafts, an essential driver of workforce development.

The College continues to work to provide targeted outreach to the communities it serves. This was the first year of the Midlands Technical College/Fairfield Central Success Center, located within Fairfield Central High School (FCHS). The Success Center is an innovative, collaborative initiative of Midlands Technical College and Fairfield Central High School, in partnership with SCANA Corporation and The School District of Fairfield County. The Center places a college presence within the high school and offers numerous facets of college and career readiness for FCHS students and parents.

This is the seventeenth consecutive year Midlands Technical College has received the prestigious national award from the Government Finance Officers Association of the United States and Canada for its financial reporting. I am pleased to announce, as detailed in this CAFR, that the College is in a strong financial position.

Respectfully,

A handwritten signature in black ink, reading "Marshall White Jr.", with a stylized flourish at the end.

Dr. Marshall (Sonny) White, Jr.
President





September 23, 2013

To: Midlands Technical College Commission, the President, the Executive Council and the community served by Midlands Technical College

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Midlands Technical College (the "College") for fiscal year ended June 30, 2013.

State law, federal guidelines and certain debt covenants require an annual audit of the College's financial records. The College has contracted with the independent certified public accounting firm of DeLoach & Williamson, L.L.P., to perform the annual audit of its financial statements and federal awards. The Independent Auditor's Report is included in the financial section of this CAFR and reflects an unqualified opinion on the basic financial statements. As a recipient of federal financial awards, the College complies with the requirements of the Single Audit Act, and separate Single Audit reports have been issued, which are included in the Federal Awards section.

The management of the College is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information presented is accurate in all material respects and is comparable to equivalent institutions. All disclosures have been included and will provide the reader with a reasonable understanding of the College's financial activities that support its mission.

The management of the College is responsible for establishing and maintaining the framework of all internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of policies and procedures related to the internal control framework. The system of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies and procedures have been established to safeguard assets; ensure the reliability of accounting data; promote efficient operations; and ensure compliance with established governmental laws, regulations and policies, College policies, and other requirements of those to whom the College is accountable. The internal accounting control structure is designed to provide reasonable, not absolute, assurance that these objectives are met.

The Management's Discussion and Analysis included in the Financial Section provides a detailed explanation of the changes in financial reporting from the prior year and the

resulting effects of those changes, and should be read in conjunction with this letter of transmittal.

PROFILE OF THE COLLEGE

Midlands Technical College (MTC) is one of 16 colleges included in the South Carolina Technical College System. The State Board for Technical and Comprehensive Education, an agency of the State of South Carolina, governs the system. Midlands Technical College is a comprehensive, public two-year institution that serves Richland, Lexington and Fairfield counties in the Central Midlands region of South Carolina. The College has six campuses, three in Lexington County, two in Richland County, one in Fairfield County and a teaching location at Fort Jackson that serves enlisted personnel and civilians.



The College held its first Visioning Summit, which allowed MTC employees to hear and discuss ideas for the future of the College in a manner that was never done before. The Visioning Summit was held at the Columbia Metropolitan Convention Center, and was open to full-time college faculty and staff members. The event featured a keynote motivational speaker and panelists from leaders of business, industry, higher education and community advocates. The objective of the session was to receive feedback from these leaders to help the college shape its educational programs and services used to build a competitive workforce for the Midlands and the state of South Carolina.

The Midlands Technical College Foundation, in support of the QuickJobs program, provided \$100,000 in new scholarships. The support from the Foundation is essential as there are no state or federal tuition assistance programs for non-credit training. The QuickJobs scholarships provide tuition assistance for the unemployed and the under-employed residents of Lexington, Richland and Fairfield

counties. The QuickJobs program prepares participants for high-demand careers in as short a time possible, often less than three months. The classes are designed to offer skills and training that result in industry-recognized credentials, and provide the critical training needed to move directly into employment.

MTC has completed the construction of the 82,000 square-foot Engineering Technology and Sciences wing of its Center of Excellence for Technology, located on the Northeast Campus. The building is a state-of-the-art engineering and sciences classroom and lab facility preparing students for careers in regional technology-based industries. The facility will offer a number of programs to include nuclear systems technology, fuel cell technician, engineering transfer, additional engineering technology courses of study and general education courses. The facility will open in fall 2013 and the College will host a grand opening ceremony on October 18, 2013.

The College's governing board, the Commission, is appointed by the Governor of South Carolina upon the recommendation of the legislative delegations from Richland and Lexington counties. The 12 officers are elected every two years, with the chairmanship alternated between the two counties. The College has also added an additional Commissioner, serving in an ex officio capacity and representing Fairfield County. This member will serve a four year term. State law mandates Richland and Lexington counties to provide sufficient funding to build, maintain and operate the College's physical plant. The division of financial responsibility is based on population and is used each year for budget request purposes. The current distribution is 40.56 percent for Lexington County and 59.44 percent for Richland County.

Fairfield County also provides financial support by funding the difference between the in-county tuition rate and the in-state tuition rate for its residents who attend the College. Fairfield County provided 1.15 percent of the total county support for the current fiscal year.

Midlands Technical College is part of South Carolina's primary government and is included in the Comprehensive Annual Financial Report of the State.

The Midlands Technical College Foundation, Inc., (the Foundation) is a nonprofit organization that was formed August 12, 1970, to benefit and support education at Midlands Technical College. It is a legally separate tax exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. A separate Board of Directors governs the Foundation. The 21-member board of the Foundation is self-perpetuating and provides the structure through which individuals, corporations, and other private sector interests can demonstrate their support of the College. The activity of the Foundation is included separately in the College's financial statements.

The Midlands Technical College Enterprise Campus Authority (the Authority) was established in 2004 by S.C. Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a blended component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the Enterprise Campus of Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College Commission. The activity of the Authority is blended in the financial statements of the College.

The College's strategic planning process includes extensive planning in preparation of the budget. The original operating budget is based on preliminary estimates and is approved by the Commission in May of each year. During its October meeting, the Commission approves the revised budget, which is prepared after major sources of revenue are known.

An annual facility plan, which outlines the needs for operations and maintenance of plant facilities, is used for the budget requests to the counties. A long-term facility plan is prepared, reviewed and updated annually as the College's initiatives are revised.

The College maintains controls in line-item budgets, budget transfer restrictions and the use of an encumbrance accounting system. These budgetary controls ensure compliance with the annual budget adopted by the governing board. As demonstrated by the financial statements and schedules included in the financial section of this report, the College management continues to meet its responsibility for sound fiscal administration.



ECONOMIC CONDITIONS

Fiscal year 2012-2013 was a relatively stable year economically for the College and other South Carolina higher education institutions as the economy slowly improved. The College did not face any budget reductions from the State. The State provided a slight increase in the form of support for a pay increase for state funded employees.

The counties, during fiscal year 2012-2013, continued to fully support the College's physical plant operations budget request and maintained its commitment to the College's capital and debt-service needs by funding the requested amounts.



The College undertook several major initiatives designed to increase the pipeline of credentialed individuals to meet labor market demands and strengthen its ability to serve, and acquire resources for the College.

First, the administration contracted with the Clarus Corporation to perform a comprehensive marketing assessment and to make recommendations for improvements based on the research conducted during the study. As a result, several areas emerged for targeted consideration by the College. The College is in the process of undergoing a rebranding of its image to include revamping the College's web presence, communications and outreach.

Second, MTC and the University of South Carolina (USC) administrators collaborated and implemented a second MTC to USC transition program. This collaboration includes a residential component that involves students in a living-learning community. The goal of the program is to enhance four-year college access for South Carolina residents. The students who apply to USC and are not fully admitted are invited to enroll in the Gamecock Gateway Program (GGP). Gamecock Gateway students complete the first year at MTC while living on the USC campus. Transportation is provided between the dorm and the MTC Airport Campus. If students in the Gamecock Gateway program earn 30 transferable semester hours and a 2.25 GPA or higher in their freshman year, they can matriculate to USC in their second year as full sophomores. After transferring to USC, students will transmit their USC academic credits to MTC so they can earn an associate degree enroute to a baccalaureate degree. The Gamecock Gateway program admitted 157 students in the first year.

Third, 45 percent of jobs in South Carolina are middle-skilled, defined as requiring more than a high school diploma but less than a four-year degree. Approximately 29 percent of the labor force has this level of education and training that allows them to compete for the known jobs in the community. The demand for middle-skilled workers will

remain strong, particularly in the technical craft and trade fields. While businesses will locate and expand primarily where workforce talent is growing, without the fast-tracked career training options, the skills gap will continue to widen. MTC offers a proven solution to the workforce development, a training strategy called QuickJobs. While the college receives limited financial support from community partners through the MTC Foundation, significant additional resources are needed to produce a competitive workforce to meet the needs of business and industry. MTC sought and was funded \$1.5 million from the South Carolina General Assembly to cover the cost of training and equipment for students in four high-growth, high demand industry clusters of Advanced Manufacturing, Alternate Energy, Information Technology and Health Sciences.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Midlands Technical College for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the College's seventeenth consecutive year receiving this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report of which all content conforms to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The College believes our current report continues to conform to the Certificate of Achievement program requirements, and is submitting it to GFOA.

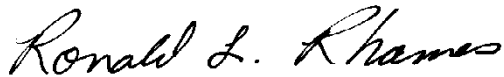


ACKNOWLEDGEMENTS

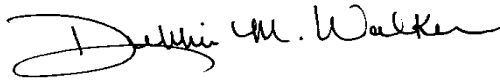
The timely preparation of the Comprehensive Annual Financial Report is a coordinated College-wide effort. We

would like to express sincere appreciation to all employees in the Business Affairs Division who contributed to the timely closing of the College's financial records and the preparation of this report; to Marketing and Public Affairs unit for its contributions in design, editing, printing and publication of the document; and to Institutional Support's Assessment, Research and Planning unit for providing statistical data. Our sincere appreciation is also expressed to other individuals and to our Commission for their support of this initiative.

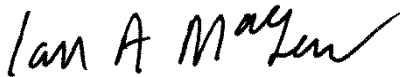
Sincerely,

A handwritten signature in black ink that reads "Ronald L. Rhames". The script is fluid and cursive.

Dr. Ronald L. Rhames
Senior Vice President

A handwritten signature in black ink that reads "Debbie M. Walker". The script is cursive and elegant.

Debbie M. Walker, M.B.A., CGFO
Associate Vice President for Business Affairs

A handwritten signature in black ink that reads "Ian A MacLean". The script is cursive and bold.

Ian A. MacLean, C.P.A., CGFO
Director of Finance and Accounting



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Midlands Technical College
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

Midlands Technical College

Organizational Data

COMMISSION MEMBERS AND OFFICERS

<u>Commissioner</u>	<u>County</u>	<u>Term Expires</u>
Christopher M. Joye, Chair	Lexington	July 31, 2015
Randall Jackson, Vice Chair	Richland	July 31, 2015
Robert P. Wilkins, Jr., Secretary	Lexington	November 16, 2016
George P. Powers, Treasurer	Richland	July 31, 2017
Katie M. Bolden	Richland	July 31, 2016
Ronald H. Burkett	Lexington	November 16, 2014
Thomas E. Elliott	Richland	July 31, 2012
Pamela S. Harrison	Richland	July 31, 2017
Robert C. Lentz	Richland	July 31, 2015
L. Todd Sease	Lexington	May 11, 2015
Peter E. Sercer	Lexington	November 16, 2015
Diane E. Sumpter	Richland	July 31, 2016
Michael L. Williams	Fairfield Liaison	January 1, 2017

EXECUTIVE COUNCIL

Marshall (Sonny) White, Jr.	President
Ronald L. Rhames	Senior Vice President
Starnell K. Bates	Vice President for Institutional Support
Ronald L. Drayton	Vice President for Academic Affairs
Barrie Kirk	Vice President for Corporate and Continuing Education and Economic Development
Sandra L. Oliver	Vice President for Student Development Services
Tom Ledbetter	Associate Vice President for the Enterprise Campus Authority
Deborah Tirado	Executive Assistant to the President

BUSINESS AFFAIRS DIVISION

Ronald L. Rhames	Senior Vice President
Debbie M. Walker	Associate Vice President for Business Affairs
Stanley Bolton	Director of Auxiliary and Support Services
Katie E. Fox	Director of Theatre Operations
Craig Hess	Director of Plant Operations
Anthony Hough	Director of Information Resource Management
Ian A. MacLean	Director of Finance and Accounting
Marcia Medway	Director of Internal Auditing
Tim Nelson	Associate Vice President for Development
Crystal Rookard	General Counsel

COMMISSIONERS



Christopher M. Joye
Chair



Randall Jackson
Vice Chair



Robert P. Wilkins, Jr.
Secretary



George P. Powers
Treasurer



Katie M. Bolden



Ronald H. Burkett



Thomas E. Elliott



Pamela Salley Harrison



Robert C. Lentz



L. Todd Sease



Peter E. Sercer



Diane E. Sumpter



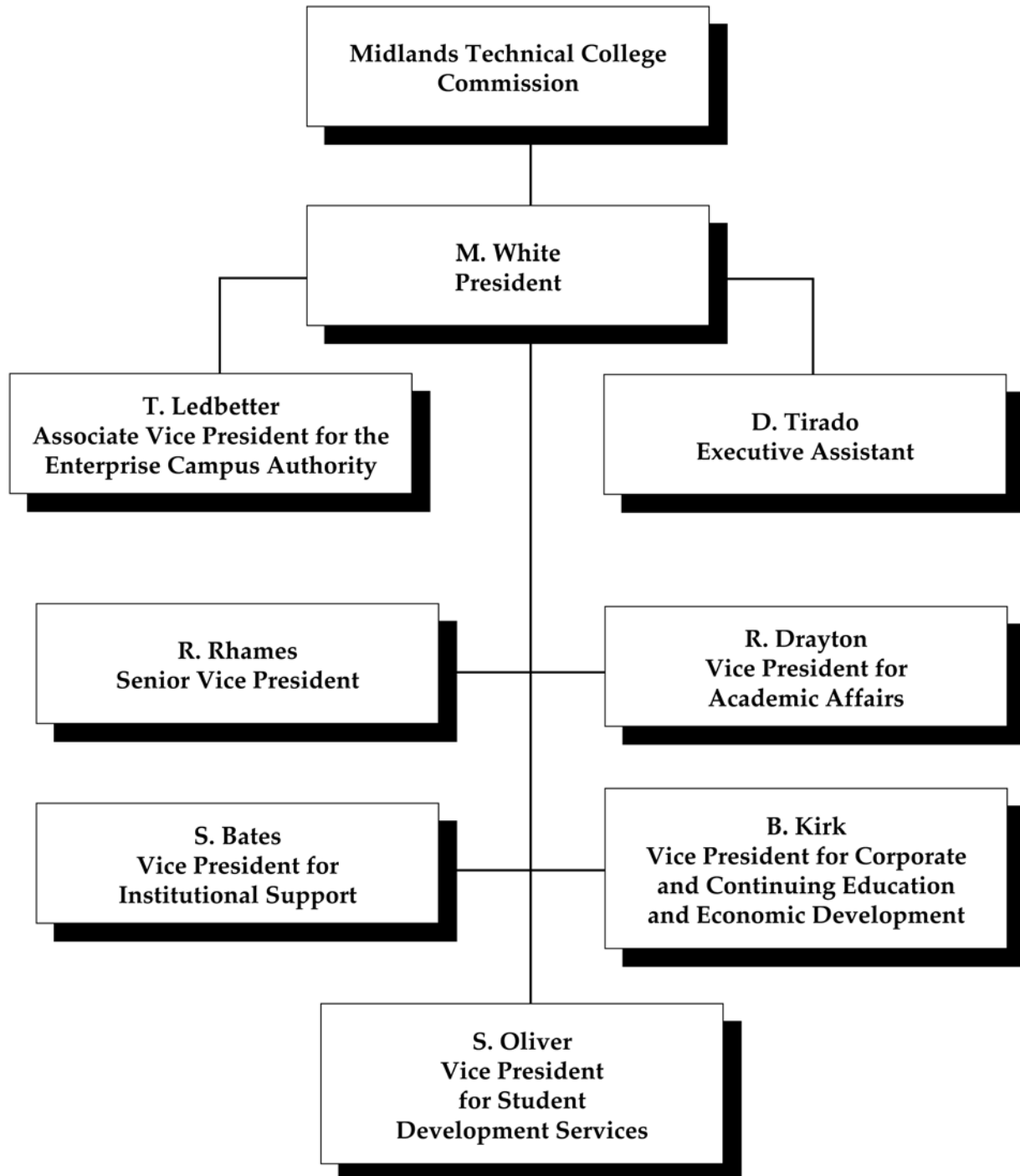
Michel L. Williams
Ex-officio Member
Fairfield County Liaison



Marshall (Sonny) White, Jr.
Ex-officio Member
President
Midlands Technical College

Midlands Technical College

Organizational Chart



Midlands Technical College

College-Wide Goals and Priority Initiatives

Goal 1: The College embraces an innovative learning environment that enhances teaching, learning and individual development.

Priority Initiatives:

1. Define and continuously refine what learning community means to MTC.
2. Develop and strengthen all aspects of programs and services.
3. Provide community access to college and career opportunities.
4. Enhance student retention and goal attainment.
5. Identify and implement student-centered learning enhancements.
6. Promote faculty and staff participation in innovative strategies to enhance the learning environment.
7. Promote global awareness.
8. Integrate diversity and multiculturalism into programs and services.

Goal 2: The College prepares a workforce that meets the demands of business and industry.

Priority Initiatives:

1. Align curricula with workforce needs.
2. Develop employability skills.
3. Provide a critical mass of employable students with competencies and credentials to meet employer needs.
4. Promote career planning and adaptability to prepare students for current and emerging career opportunities.

Goal 3: The College collaborates with educational and community partners to create seamless curricula and quality services for the diverse population bridging K-12, two-year college and university education.

Priority Initiatives:

1. Expand course offerings, student services and articulation with higher education institutions.
2. Expand collaboration and interaction with area school districts.
3. Enhance education through community interaction and adoption of nationally recognized curricula and standards.

Goal 4: The College partners with community constituencies to strengthen the educational, social and economic vitality of the community.

Priority Initiatives:

1. Collaborate with economic development organizations and higher education institutions to increase business and industry development.
2. Expand and strengthen the role of program advisory committees.
3. Seek opportunities for dialogue and interaction to ensure the College is proactive in its participation in advancing the community.
4. Promote learning opportunities that strengthen civic responsibility.

Goal 5: The College serves as a catalyst in economic development.

Priority Initiatives:

1. Design and implement innovative, proactive programs to address the needs of the business community and expand the workforce.
2. Promote public/private partnerships and enterprise development.
3. Establish programs to promote entrepreneurship and small business development.

Goal 6: The College validates its programs and services through a comprehensive evaluation process.

Priority Initiatives:

1. Develop systemic processes that provide the leadership of the College with information and data to support strategic and operational decision-making.
2. Support the development and use of national and peer comparisons to measure the effectiveness and efficiency of academic and administrative performance.
3. Support department-based research by faculty and staff.
4. Enhance the College's national recognition as a leader in institutional planning, effectiveness, assessment and innovative research concepts.
5. Develop and disseminate information needed to influence the direction of post-secondary education in South Carolina.
6. Develop and implement comprehensive risk management strategies.

Goal 7: The College engages in efficient, effective and innovative resource development and management.

Priority Initiatives:

1. Seek partnerships with local agencies and higher education institutions to enhance and leverage resources.
2. Seek and obtain alternate funding.
3. Develop methods to conserve resources and increase revenue.
4. Position the College to maximize state and local support.

Goal 8: The College recruits, retains and develops exceptional faculty and staff.

Priority Initiatives:

1. Provide opportunities and funding to ensure the ongoing professional development of faculty and staff.
2. Develop and implement innovative strategies for the recruitment and retention of faculty and staff.
3. Ensure accurate and meaningful communication college-wide.
4. Integrate diversity and multiculturalism into employment practices and professional development.

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DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

PHONE: (803) 771-8855
FAX: (803) 771-6001

INDEPENDENT AUDITOR'S REPORT

The President and Members of the Area Commission
Midlands Technical College
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities of Midlands Technical College (the "College"), a component unit of the State of South Carolina and a member institution of the South Carolina Technical College System, including its blended component unit, the Midlands Technical College Enterprise Campus Authority (the "Authority"), and its discretely presented component unit, Midlands Technical College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2013, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13–19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rebecca E. Williamson, C.C.P.

Columbia, South Carolina

September 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report of Midlands Technical College (the College) presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2013.

This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements, the component unit's financial statements and the notes to the financial statements.

COMPONENT UNITS

The College has included the Midlands Technical College Foundation, Inc., (the Foundation) and the Midlands Technical College Enterprise Campus Authority (the Authority) in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation is reported as a discretely presented component unit of the College. The Statement of Financial Position, the Statement of Activities and relevant note disclosures for the Foundation follow the College's financial statements. The governing body of the Authority is essentially the same Board as that of the College and it provides services that benefit the College, although it does not provide services directly to the College; therefore the Authority is reported as a blended component unit and the activity is included in the financial statements of the College.

Complete financial statements for the Foundation or the Authority may be obtained by mailing a request to Midlands Technical College, Associate Vice President for Business Affairs, Post Office Box 2408, Columbia, South Carolina 29202.

USING THIS ANNUAL REPORT

Midlands Technical College is pleased to present its financial statements for fiscal year ended June 30, 2013. Comparative financial statements are not presented in this report; however, condensed data is presented in this section, which will aid the reader in assessing the changes in the College's financial position since last year. The emphasis of discussions regarding these statements will focus on the current year.

The College is engaged only in Business-Type Activities that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET POSITION

The Statement of Net Position provides a snapshot of the College's assets, liabilities and net position at the end of the fiscal year. It provides the reader with information concerning the Institution's ability to continue its operations and to determine its financial stability.

Assets and liabilities are separated into current, those that are due or to be paid within the current year, and non-current, those that are longer term in nature. Net position represents the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net position is divided into three major categories. The first category, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the College. The next category, which is *restricted net position*, is expendable in nature and is specifically for capital projects and debt service, as indicated. The final category of net position is *unrestricted*, and not subject to external stipulations. These amounts represent the net position of the Authority and the College's 30-day operating reserve.

Assets

The following schedule is a condensed version of the College's assets, liabilities and net position and is prepared from the Statement of Net Position.

Condensed Summary of Net Position As of June 30, 2013 and 2012 (in millions)

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 91.1	\$ 88.9	\$ 2.2	2.5%
Non-Current Assets				
Capital Assets (Net of Depreciation)	80.2	73.3	6.9	9.4 %
Other	<u>5.7</u>	<u>12.1</u>	<u>(6.4)</u>	<u>(52.9) %</u>
Total Assets	<u>177.0</u>	<u>174.3</u>	<u>2.7</u>	<u>1.5 %</u>
Current Liabilities	13.2	12.9	0.3	2.3%
Non-Current Liabilities	<u>31.3</u>	<u>32.4</u>	<u>(1.1)</u>	<u>(3.4) %</u>
Total Liabilities	<u>44.5</u>	<u>45.3</u>	<u>(0.8)</u>	<u>(1.8) %</u>
Net Position				
Investment in Capital Assets	52.7	49.2	3.5	7.1 %
Restricted for: Expendable	72.9	72.9	0.0	0.0 %
Unrestricted	<u>6.9</u>	<u>6.9</u>	<u>0.0</u>	<u>0.0 %</u>
Total Net Position	<u>\$ 132.5</u>	<u>\$ 129.0</u>	<u>\$ 3.5</u>	<u>2.7 %</u>

A strong indicator of the financial health of the College for the year is in the approximate 7:1 ratio of current assets in the amount of \$91.1 million to current liabilities in the amount of \$13.2 million. The College maintains fiscally sound budget practices that provide for the conservative balance between the two categories.

Current assets have increased by \$2.2 million. The overall increase is \$2.7 million in total assets for the fiscal year. The increases in current assets are explained as follows:

- Cash decreased by \$1.8 million.
- Short-term investments increased approximately \$4.2 million of the increase in current assets over the prior fiscal year.
- Accounts receivable decreased by \$0.2 million primarily due to an increase in the allowable doubtful accounts.
- Prepaid expenses decreased by \$0.1 million from the prior year.
- Inventory increased by \$0.1 million from the prior year.

Non-current assets include capital assets net of depreciation and other assets, which is comprised primarily of restricted cash. Capital assets net of depreciation are \$80.2 million for the year, an increase of \$6.9 million from the prior year period, which is for the capitalization of the Northeast project, a prior year construction in progress. Other non-current assets decreased by \$6.4 million for the year primarily due to bond reimbursements for the construction and expansion of the Northeast Campus. This project was substantially completed in February 2013. The changes from the prior year are explained as follows:

- \$22.9 million represents completed construction for the expansion of the Northeast facility, which was a budgeted project for \$28.1 million. This project is approximately 82,000-square-feet and includes engineering and science labs, classrooms, faculty offices and administrative space. This facility is the focal point of high technology engineering and science instruction for the College. Engineering efficiency measures have been undertaken to meet Leed silver standards.
- Construction in progress includes renovations to Morris Hall and the advanced manufacturing technology center both located at the Airport Campus, and the decrease in construction in progress is the result of capitalizing the Northeast Campus explained above.
- Depreciation and amortization expense accounted for \$3.2 million.

See Note 5, Capital Assets, for additional information.

The following table contains an analysis of capital assets as of June 30, 2013 and 2012.

**Analysis of Capital Assets
As of June 30, 2013 and 2012
(in millions)**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Land and Improvements	\$ 13.5	\$ 13.4	\$ 0.1	0.7 %
Construction in Progress	0.3	15.6	(15.3)	(98.1) %
Works of Art	0.1	0.1	-	0.0 %
Buildings and Improvements	98.0	75.1	22.9	30.5 %
Machinery, Equipment, Vehicles & Other	<u>15.4</u>	<u>13.5</u>	<u>1.9</u>	<u>14.1 %</u>
Total Capital Assets	<u>\$127.3</u>	<u>\$ 117.7</u>	<u>\$ 9.6</u>	<u>8.2 %</u>
Less Accumulated Depreciation	<u>(47.1)</u>	<u>(44.4)</u>	<u>(2.7)</u>	<u>(6.1) %</u>
Capital Assets	<u>\$ 80.2</u>	<u>\$ 73.3</u>	<u>\$ 6.9</u>	<u>9.4 %</u>

Liabilities

Total liabilities are \$44.5 million, which is a decrease of \$0.8 million over the prior fiscal year. Current liabilities increased by \$0.3 million primarily as a result of increased deferred revenue of \$0.7 million and a decrease in accounts payable of \$0.2 million and other liabilities of \$0.1 million.

See Note 12, Bonds and Note Payable, and Note 13, Long Term Liabilities, for additional information.

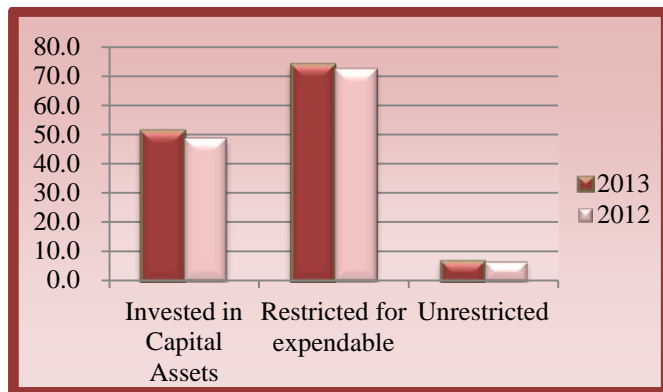
Net Position

Total net position for the year is \$132.5 million, an increase of \$3.5 million from the prior year. Investments in capital assets increased by \$3.5 million.

Unrestricted net position remains unchanged and consists of amounts related to the College's 30-day operating reserve that excludes nonessential expenses totaling \$5.5 million and unrestricted Enterprise Campus Authority funds of \$1.4 million.

The following chart is a graphic representation of the College's Net Position at June 30, 2013 and 2012.

Comparative Net Position
As of June 30, 2013 and 2012
(in millions)



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present and categorize revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the College. The College depends heavily on financial support from the state and counties for which services are provided. This support is reflected as non-operating revenue based on governmental accounting standards. The College will always reflect an operating deficit due to the dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and result in an overall increase in net position for the year. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "income before other revenues, expenses, gains or losses."

Operating Results

The following schedule summarizes the College's operating results for fiscal year ended June 30, 2013, with comparative data for fiscal year ended June 30, 2012. Certain amounts in the prior year have been reclassified to conform to current year presentation.

Condensed Summary of Revenues, Expenses and Changes in Net Position Fiscal Years 2013 and 2012 (in millions)

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Tuition and Fees	\$ 33.8	\$ 34.2	\$ (0.4)	(1.2) %
Grants and Contracts	15.5	13.5	2.0	14.8 %
Auxiliary	6.7	7.1	(0.4)	(5.6) %
Other	1.1	0.6	0.5	83.3 %
Total Operating Revenues	57.1	55.4	1.7	3.1 %
Less Operating Expenses	103.8	96.3	7.5	7.8 %
Net Operating Loss	(46.7)	(40.9)	(5.8)	(14.2) %
Non-Operating Revenue				
State Appropriations	14.3	14.2	0.1	0.7 %
Local Appropriations	11.4	12.8	(1.4)	(10.9) %
Grants and Contracts	25.0	26.6	(1.6)	(6.0) %
Other	0.4	0.8	(0.4)	(50.0) %
Total Non-Operating Revenue	51.1	54.4	(3.3)	(6.1) %
Interest Expense	(0.9)	(1.1)	0.2	18.2 %
Increase in Net Position	3.5	12.4	(8.9)	(71.8) %
Net Position, Beginning of Year	129.0	116.6	12.4	10.6 %
Net Position, End of Year	<u>\$ 132.5</u>	<u>\$ 129.0</u>	<u>\$ 3.5</u>	<u>2.7 %</u>
Total Revenues	<u>\$ 108.2</u>	<u>\$ 109.8</u>	<u>\$ (1.6)</u>	<u>(1.5) %</u>

Revenue

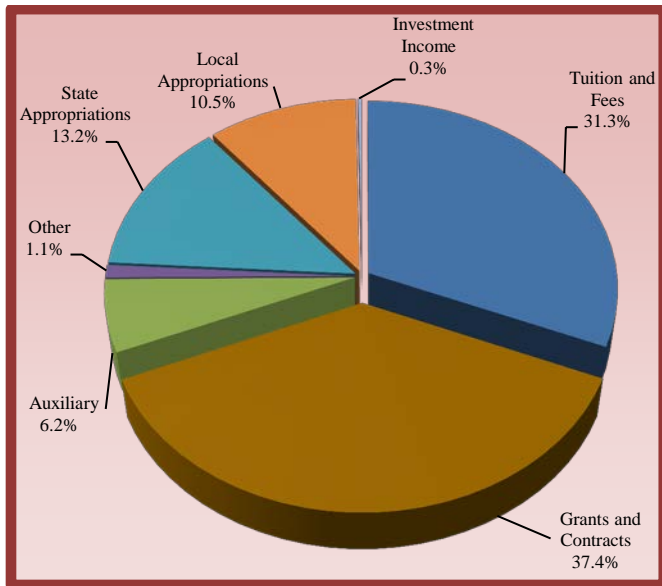
Total revenue decreased from \$109.8 million in the prior fiscal year to \$108.2 million, a decrease of \$1.6 million or 1.5 percent.

Operating revenue increased by \$1.7 million, while non-operating revenue decreased by \$3.3 million. There was a slight decrease in tuition and fees. Grants and contracts increased due to new grants awarded to the College. For auxiliary services, the decrease is primarily due to other available avenues for market share, external to the College.

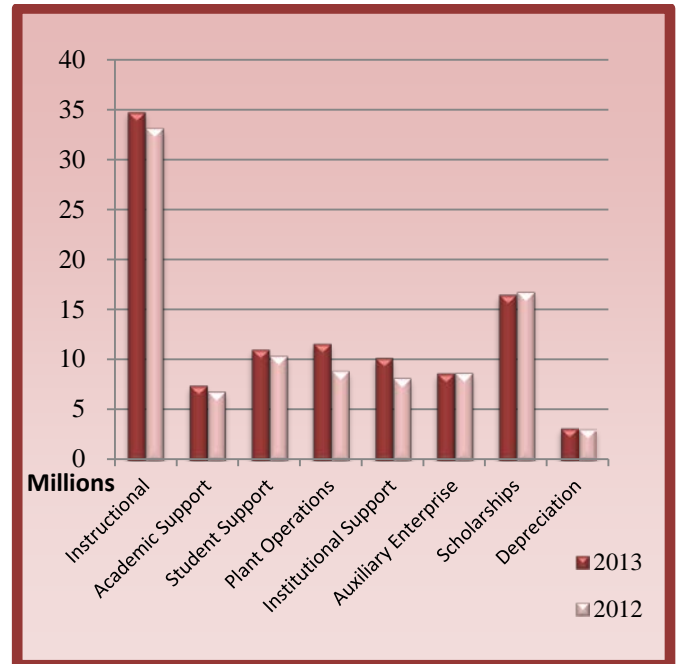
The decreases in non-operating revenue were due to a decrease in local appropriations of \$1.4 million, followed by a reduction in grants and contracts of \$1.6 million.

The following graph represents sources and percentages of revenue to the College for the fiscal year.

REVENUE BY SOURCE Fiscal year 2013



COMPARISON OF OPERATING EXPENSES BY FUNCTION Fiscal Years 2013 and 2012

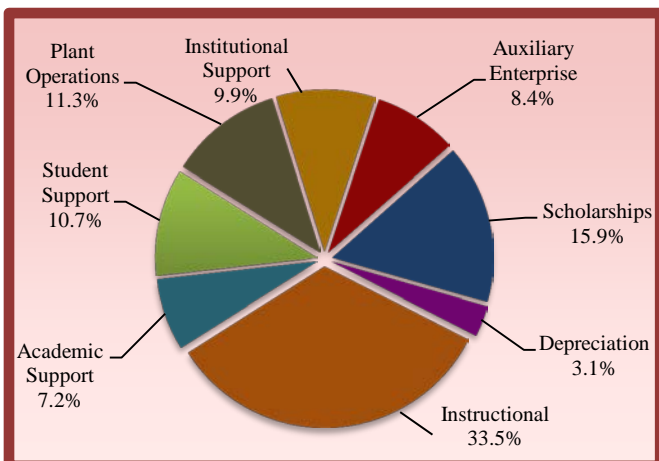


Expenses

Operating expenses were \$103.8 million for the fiscal year, an increase of \$7.5 million or 7.8 percent over the prior year. Scholarships decreased by \$0.3 million, depreciation increased by approximately \$0.1 million, and supplies and other expenses increased by \$2.9 million compared to the prior year. Salaries and benefits increased by \$4.6 million.

The following graphs depict operating expenses by function for fiscal year ended June 30, 2013, and a comparison of operating expenses by function for fiscal years ended 2013 and 2012.

OPERATING EXPENSES BY FUNCTION Fiscal Year 2013



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net use of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section reflects cash flows from capital and related financing activities and shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Cash decreased by approximately \$8.2 million from last year. Net cash flows from operating activities decreased by \$5.4 million.

Cash flows from non-capital financing activity decreased an additional \$1.2 million. Capital and related financing activities increased cash by \$1.1 million for the Northeast construction and reduced cash for acquisition of capital assets and debt service payments. Net cash used by investing activities resulted in a decrease of \$3.8 million, a change of \$16.7 million from the prior period.

Condensed Summary of Cash Flow
Fiscal Years 2013 and 2012
(in millions)

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Net cash flow used by operating activities	\$ (42.0)	\$ (36.6)	\$ (5.4)
Net cash flow provided by Non-capital financing activities	47.6	48.8	(1.2)
Net cash used by capital and related financing activities	(10.0)	(11.1)	1.1
Net cash provided (used) by investing activities	<u>(3.8)</u>	<u>(20.5)</u>	<u>16.7</u>
Net increase (decrease) in cash	(8.2)	(19.4)	11.2
Cash – beginning of year	<u>25.1</u>	<u>44.5</u>	<u>(19.4)</u>
Cash – end of year	<u>\$ 16.9</u>	<u>\$ 25.1</u>	<u>\$ (8.2)</u>

Economic Factors

The economic condition of the College is dependent to a large degree on that of the state and local governments. Tuition increases related to planned improvement in the financial ability of the College to implement new programs, fund new facilities and provide improved supplies and equipment for the College. Student enrollment has declined slightly compared to the prior year. Local government support for the College remains strong and continues to provide funding for ongoing maintenance, renovation, and construction of new facilities. The state's economic outlook for fiscal year 2013-2014 is projected to be slightly increasing at this point, with indicators such as sales and property tax collections have been progressing slowly and have begun to turn around.

Requests for Information

Additional information or questions concerning any of the information provided should be requested from the College's Associate Vice President for Business Affairs at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, or by email at walkerd@midlandstech.edu.

Debt Administration

The College's financial statements reflect \$27,920,000 in (general obligation) bonds payable. These bonds are general obligation bonds of the state backed by the full faith, credit and taxing power of the state. Tuition revenue is pledged up to the amount of annual debt requirements for the annual payment of principal and interest on the bonds.

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BASIC FINANCIAL STATEMENTS



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MIDLANDS TECHNICAL COLLEGE
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,204,559
Short-term investments	70,643,439
Accounts receivable, net	6,050,130
Inventories	2,717,796
Other assets	<u>477,223</u>
Total current assets	<u>91,093,147</u>

Non-current assets:

Restricted cash and cash equivalents	5,693,823
Capital assets:	
Depreciable, net of accumulated depreciation	74,561,242
Non-depreciable	<u>5,610,200</u>
Total non-current assets	<u>85,865,265</u>
Total assets	<u>176,958,412</u>

LIABILITIES

Current liabilities:

Accounts payable	4,219,188
Accrued payroll and related liabilities	1,551,845
Funds held for others	693,231
Deferred revenue	4,860,109
Long-term liabilities – current portion:	
Bonds payable	1,325,000
Compensated absences	208,443
Accrued interest payable	<u>362,816</u>
Total current liabilities	<u>13,220,632</u>

Non-current liabilities:

Long-term liabilities – non-current portion:	
Bonds payable	26,595,000
Compensated absences	3,878,974
Bond premium	<u>780,855</u>
Total non-current liabilities	<u>31,254,829</u>
Total liabilities	<u>44,475,461</u>

NET POSITION

Invested in capital assets, net of related debt	52,728,938
Restricted for expendable:	
Capital projects	64,126,456
Debt service	8,693,518
Unrestricted	<u>6,934,039</u>
Total net position	<u>\$ 132,482,951</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

REVENUES

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$20,845,741)	\$ 33,794,392
Federal grants and contracts	3,989,733
State grants and contracts	11,508,569
Non-governmental grants and contracts	23,333
Sales and services of educational departments	37,089
Auxiliary enterprises (net of book allowances of \$2,461,257)	6,653,893
Other operating revenues	<u>1,097,921</u>
Total operating revenues	<u>57,104,930</u>

EXPENSES

Operating expenses:	
Salaries	44,959,110
Benefits	12,715,736
Scholarships	16,547,445
Utilities	2,158,908
Supplies and other services	24,205,334
Depreciation and amortization	<u>3,208,354</u>
Total operating expenses	<u>103,794,887</u>
Operating loss	<u>(46,689,957)</u>

NON-OPERATING REVENUES (EXPENSES)

State appropriations	13,764,914
Local appropriations	9,084,966
Investment income (net of investment expenses)	291,393
Interest on capital asset-related debt	(850,118)
Federal grants and contracts	<u>24,984,468</u>
Net non-operating revenues (expenses)	<u>47,275,623</u>

Income before capital grants, gifts, other revenues and appropriations	<u>585,666</u>
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Capital grants, gifts, other revenues and appropriations:	
Contributed capital assets	26,171
Research university infrastructure bonds	9,897
Local capital appropriations	2,327,645
State capital appropriations	<u>537,494</u>
Total capital grants, gifts, other revenues and appropriations	<u>2,901,207</u>

Increase in net position	3,486,873
Net position – beginning of year	<u>128,996,078</u>
Net position – end of year	<u>\$ 132,482,951</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees – net of scholarship allowances	\$ 34,874,381
Federal, state and local grants and contracts	16,904,001
Non-governmental contracts	23,333
Sales and services of educational departments	37,089
Auxiliary enterprise charges	6,653,893
Other receipts	1,097,921
Payments to vendors	(56,966,743)
Payments to employees	(44,666,319)
Amounts provided to students-governmental student loan program	(26,363,306)
Amounts provided from lenders	<u>26,363,306</u>
Net cash flows used by operating activities	<u>(42,042,444)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	13,764,914
County appropriations	9,084,966
State, local and federal grants, gifts and contracts – non-operating	25,010,639
Expended for agency funds	<u>(220,447)</u>
Net cash flows provided by non-capital financing activities	<u>47,640,072</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Local appropriations for capital	2,327,645
Research university infrastructure bond revenue	9,897
State appropriations for capital	492,321
Purchase of capital assets	(10,707,918)
Principal paid on capital debt	(1,285,000)
Interest paid on capital debt	<u>(863,257)</u>
Net cash flows used by capital and related financing activities	<u>(10,026,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	62,316,910
Interest on investments	229,658
Purchase of investments	<u>(66,375,228)</u>
Net cash flows used by investing activities	<u>(3,828,660)</u>
Net decrease in cash	(8,257,344)
Cash – beginning of year	<u>25,155,726</u>
Cash – end of year	<u>\$ 16,898,382</u>
RECONCILIATION OF NET OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (46,689,957)
Adjustments to reconcile cash flows used by operating activities:	
Depreciation and amortization expense	3,208,354
Change in assets and liabilities:	
Receivables, net	949,280
Allowance for doubtful accounts	(125,000)
Inventories	(129,736)
Deferred charges and prepaid expense	87,359
Deferred revenue	674,849
Accounts payable	(246,221)
Accrued leave payable	<u>228,628</u>
Net cash flows used by operating activities	<u>\$ (42,042,444)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Non-cash investing activities – change in fair value of investments	\$ 62,434
Capitalized interest	349,000
Contributed capital assets	<u>26,171</u>
Total non-cash investing, capital and financing activities	<u>\$ 437,605</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION
As of June 30, 2013

Assets

Cash and equivalents	\$ 231,682
Contributions receivable, net	184,450
Other receivable	21,943
Investments	<u>6,089,757</u>
Total assets	<u>\$ 6,527,832</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	<u>\$ 98,226</u>
Total liabilities	<u>98,226</u>

Net assets:

Unrestricted – undesignated	1,559,203
Unrestricted – designated	157,825
Temporarily restricted	1,635,486
Permanently restricted	<u>3,077,092</u>
Total net assets	<u>6,429,606</u>
Total liabilities and net assets	<u>\$ 6,527,832</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	<u>Totals</u>
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	
Revenue, gains, and other support					
Contributions	\$ 234,407	\$ —	\$ 299,912	\$ 30,118	\$ 564,437
Income on long-term investments	85,474	18,985	53,601	—	158,060
Other investment income	316	—	—	—	316
Net unrealized and realized gains (losses) on long-term investments	457,445	7,088	20,042	—	484,575
Net assets released from restrictions:					
Satisfaction of program restrictions	276,701	(12,500)	(264,201)	—	—
Expiration of time restrictions	<u>6,454</u>	<u>—</u>	<u>(6,454)</u>	<u>—</u>	<u>—</u>
Total revenue, gains and other support	<u>1,060,797</u>	<u>13,573</u>	<u>102,900</u>	<u>30,118</u>	<u>1,207,388</u>
Expenses and losses					
Management and general	100,327	—	—	—	100,327
College support	388,543	—	—	—	388,543
Student support	222,839	—	—	—	222,839
Fundraising	<u>52,861</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,861</u>
Total expenses	<u>764,570</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>764,570</u>
Change in net assets	296,227	13,573	102,900	30,118	442,818
Net assets at beginning of year	<u>1,262,976</u>	<u>144,252</u>	<u>1,532,586</u>	<u>3,046,974</u>	<u>5,986,788</u>
Net assets at end of year	<u>\$ 1,559,203</u>	<u>\$ 157,825</u>	<u>\$ 1,635,486</u>	<u>\$ 3,077,092</u>	<u>\$ 6,429,606</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midlands Technical College (the College), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Richland, Lexington and Fairfield counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the reporting entity are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Midlands Technical College, as the reporting entity, Midlands Technical College Enterprise Campus Authority, and the accounts of the Midlands Technical College Foundation (the Foundation), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Midlands Technical College Enterprise Campus Authority (the Authority) was established in 2004 by SC Act 200, codified as sub-article 3, Article 20, Chapter 53, Title 59, of the 1976 South Carolina Code of Laws, as amended. For accounting purposes, the Authority is considered a component unit of Midlands Technical College. The Authority was established to provide for the management, development and operation of the Enterprise Campus of Midlands Technical College, located on the Northeast Campus. The Board of the Authority consists of the members of the Midlands Technical College

Commission. The activity of the Authority is blended in the financial statements of the College.

The Midlands Technical College Foundation, Inc., (the Foundation) is a private not-for-profit organization that was formed August 12, 1970, to benefit and support education at Midlands Technical College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The 21-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College or its students by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

Financial Statements

The financial statements of the College and its blended component unit are presented in accordance with GASB Standards. The financial statement presentation required by these standards provides a comprehensive, entity-wide perspective of the College's net position, revenues, expenses, changes in net position and cash flows.

The financial statements of the Midlands Technical College Foundation are presented in accordance with the accounting principles generally accepted in the United States of America for not-for-profit organizations as issued by the Financial Accounting Standards Board (FASB) through its Accounting Standards Codification. The Foundation's revenue and expenses are recognized as increases and decreases in one of three net position classifications – unrestricted, temporarily restricted, and permanently restricted. Permanently restricted net position consists of contributions and other inflows of assets whose use is limited in perpetuity by donor-imposed stipulations. Temporarily restricted net position consists of contributions and other transactions whose use is limited by time or purpose by donor-imposed stipulations. Unrestricted net position is transactions that are neither temporarily nor permanently restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net position is

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

Financial statements for the Foundation can be obtained by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The Foundation's statements are presented on the accrual basis of accounting in accordance with FASB pronouncements. Therefore, certain revenue recognition criteria and presentation features are different from GASB criteria and presentation features. No modifications have been made to the Foundation's financial statements included in the College's financial reporting entity for these differences.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates. Actual amounts may differ from the estimates used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the South Carolina State Treasurer's Office are considered cash equivalents.

Investments

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660,

"Investments of Funds." Governmental Accounting Standards require disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, gift pledges, certain state and local funding and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years; depreciable land improvements, buildings and improvements; and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense is incurred. Certain works of art are considered inexhaustible. These capital assets are not subject to depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011, the State of South

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Carolina adopted a monthly depreciation convention for the straight-line method. Under this convention, depreciation is recognized in the month of purchase on a prorated basis of days placed in service. At the end of the life of the asset, a prorated amount of depreciation is recognized for the days within the month until the assets are removed from service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College does not currently have any items that qualify for reporting in this category.

Deferred Revenues and Deposits

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net position and as a component of benefit expenses in the statement of revenues, expenses, and changes in net position.

Net Position

The College's net position is classified as follows:

- *Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net position – expendable:* Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- *Restricted net position – non-expendable:* Non-expendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College does not currently report any net position in this classification.
- *Unrestricted net position:* Unrestricted net position represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- *Operating revenues and expenses:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake. Operating expenses include all expense transactions incurred other than those related to investing, non-capital or non-capital financing activities.
- *Non-operating revenues and expenses:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services that may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the automotive and dental auxiliary departments.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services, the Authority facility rentals and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other federal, state or non-governmental programs, are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Capitalized Interest

The College's policy is to capitalize as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$1,199,118 of interest cost during the year ended June 30, 2013, of which \$850,118 was expensed and \$349,000 was capitalized.

Discretely Presented Component Unit

What follows below are the more significant accounting policies of the College's Discretely Presented Component Unit (Midlands Technical College Foundation).

The financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis of accounting. Consequently, the net assets of the Foundation are reported as follows:

Unrestricted Undesignated – Unrestricted Undesignated Net Assets are not subject to donor-imposed restrictions that will be met by actions of the Foundation and/or passage of time.

Unrestricted Designated – Unrestricted Designated Net Assets are not subject to donor-imposed restrictions, but is subject to Foundation Board imposed stipulations.

Temporarily Restricted – Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted – Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenue, Gains and Other Support and Expenses and Losses – Revenues are reported as increases in the unrestricted net position classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Increases in the allowance for uncollectible pledges are netted against contribution income.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net position as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net position unless their use is restricted by explicit donor stipulation or by law.

Donated Services, Goods and Facilities – A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. During the year ended June 30, 2013, the Foundation received in-kind contributions valued at approximately \$99,764. Substantially all contributions of equipment to the Foundation becomes property of the College upon receipt of the property from the donor. Accordingly, the Foundation records the contributions at their fair value with an offset to college support in these financial statements.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days at the time of purchase.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt

securities are measured at fair value in the statement of financial position. Investment in real estate held for sale is reported at the lower of cost or market. Securities or other investments donated are recorded at their market value at the date of the gift.

Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents. Management believes that the Foundation's investment portfolio is adequately diversified among issuers. In addition, management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Income Taxes – Midlands Technical College Foundation, Inc. has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code (the "IRC"). However, it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending June 30, 2013, 2012, 2011, and 2010 are still open to audit for both federal and state purposes. The Foundation is not classified as a private foundation.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State

unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2013:

Non-Capital and State Capital Appropriations

Non-Capital Appropriations:

Appropriations per State Board allocation	\$ 12,908,144
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Appropriations from SC Education Lottery fund	398,923
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Other:

Nursing funding	370,943
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Critical Needs Nursing Initiative	49,120
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Pathways	<u>37,784</u>
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Total Non-Capital appropriations	13,764,914
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Capital Appropriations:

Deferred Maintenance	<u>537,494</u>
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Total Non-Capital and State Capital Appropriations	<u>\$ 14,302,408</u>
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MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits – Deposits include cash and cash equivalents on deposit in banks and held by the State Treasurer. At year-end, the College's carrying amount of deposits with banks was \$18,858,938. The bank balances were \$19,878,608, of which \$5,924,005 was covered by FDIC insurance. The balance was collateralized with securities held by a third-party financial institution (as the College's agent) in the College's name. The State Treasurer held \$5,693,823 in its pooled cash funds in the College's name.

Restricted Cash – Restricted cash includes \$851,315 held for debt service reserve funds; \$3,584,157 held for maintenance, repair and replacement; and \$1,258,351 for construction as required by bond indentures.

Foreign Currency Risk – Foreign currency risk is the risk that variances in exchange rates will adversely affect the fair value of a deposit. The College's policy is to not maintain deposits that are denominated in a currency other than the United States dollar, and therefore, is not exposed.

Investments – The College's investments at June 30, 2013, are *not* with the South Carolina State Treasurer's Office and are alternatively held by certain financial institutions in the College's name. The fair value of investments at June 30, 2013, consists solely of certificates of deposits or United States government-backed securities with maturities of one to two years. All of the securities for the reporting period were either fully collateralized or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College's investment policy limits its investments to the safest types of securities, and structures its investment portfolio so securities mature to meet cash requirements for ongoing operations, which therefore prevents the need to sell securities prior to maturity. The College monitors its investments periodically to ensure that the collateral exceeds the market value of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy regarding credit risk of investments is that it only uses high-quality brokers and financial institutions to manage its investment portfolios. In addition,

the College's investments include only obligations of the United States Government Sponsored Enterprise Debt.

All Agencies carry credit ratings of Moody's A-1+ and S&P P-1. The Agencies strive to maintain the market perception of credit risk on par with that of the U.S. Government. The ratings on all four government agencies as of June 30, 2013 was AAA/A-1+ at S&P and AAA/P-1 at Moody's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Credit Risk Concentration – Issuers that represent 5 percent or more of total investments:

	<u>Fair Value</u>	<u>% of Investments</u>
Federal Home Loan Mortgage Corporation	\$ 2,999,136	4.2
Federal National Mortgage Association (Fannie Mae)	8,999,418	12.7
Federal Home Loan Bank	49,975,966	70.7

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Part of the interest rate risk experienced with debt securities is maturity risk. The College's investment policy is to structure its investment portfolio so securities mature to meet cash requirements for ongoing operations to prevent the need to liquidate securities prior to maturity. The weighted average maturity of the investments (including certificates of deposits held as investments) as of June 30, 2013, was 235 days. Another component of interest rate risk is the exposure to fluctuations in the purchase price caused by stated earning rates of the investments. The weighted average stated rate for the investments (including certificates of deposit) as of June 30, 2013, was 0.18 percent.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

College's Policy Regarding Custodial Risk and Interest Rate Risk for Investments

Investment Risk – The College's investment policy states that its primary objectives in priority order of investment activities shall be preservation of capital, liquidity and yield.

The College has no formal investment policy regarding custodial credit risk, although primary objectives are adhered to in accordance with management policy.

Investment Pool – The College has deposits of \$5,693,823 held as a part of the State of South Carolina Office of State Treasurer Local Government Investment Pool. Deposit risk information relating to this investment pool may be obtained from the State of South Carolina's Comprehensive Annual Financial Report. Copies of this report may be obtained from the South Carolina Office of the Comptroller General, 1200 Senate Street, 305 Wade Hampton Office Building, Columbia, South Carolina 29201; or by visiting the Comptroller General's website at www.cg.state.sc.us.

A reconciliation of the College's deposits and investments on its statement of net position to this footnote disclosure is as follows:

STATEMENT OF NET POSITION:

Cash and cash equivalents	\$ 11,204,559
Restricted cash and cash equivalents	5,693,823
Investments	<u>70,643,439</u>
Total statement of net position	<u>\$ 87,541,821</u>

DEPOSITS AND INVESTMENTS NOTES:

Carrying value of deposits	\$ 18,858,938
Cash on hand	19,742
Held by State Treasurer	5,693,823
U.S. Government Sponsored Enterprise Discount Notes	<u>62,969,318</u>
Total deposit and investments notes	<u>\$ 87,541,821</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Discretely Presented Component Unit

The following summarizes the cost and fair values of investments at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>
Marketable Securities:		
Invested-money market funds	\$ 100,906	\$ 100,906
Fixed income	1,981,449	1,977,048
Mutual funds	1,970,928	2,164,433
Equities	<u>1,467,758</u>	<u>1,802,370</u>
Total marketable securities	<u>5,521,041</u>	<u>6,044,757</u>
Real estate	<u>45,000</u>	<u>45,000</u>
Total investments	<u>\$ 5,566,041</u>	<u>\$ 6,089,757</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013, including applicable allowances, were as follows:

Receivables:	
Student accounts	\$ 4,769,383
Company accounts	713,570
Federal grants and contracts	481,018
Local government	600
Other receivables	2,221,407
Less: Allowance for uncollectibles	<u>(2,135,848)</u>
Receivables, net	<u>\$ 6,050,130</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – ACCOUNTS RECEIVABLE (continued)

Contributions Receivable – Discretely Presented Component Unit

Unconditional promises to give as of June 30, 2013, are due as follows:

Within one year	\$ 43,703
One to five years	162,207
Six to ten years	<u>7,000</u>
Total	212,910
Allowance for uncollectible pledges	(6,454)
Present value discount	<u>(22,006)</u>
Contributions receivable, net	<u>\$ 184,450</u>

NOTE 5 – CAPITAL ASSETS

	Beginning Balance <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land and improvements	\$ 4,986,474	\$ –	\$ –	\$ 4,986,474
Construction in progress	15,607,228	267,533	(15,575,392)	299,369
Non-depreciable intangibles	229,011	–	–	229,011
Works of art, historical treasures, and similar assets	<u>95,346</u>	<u>–</u>	<u>–</u>	<u>95,346</u>
Total capital assets not being depreciated	<u>20,918,059</u>	<u>267,533</u>	<u>(15,575,392)</u>	<u>5,610,200</u>
Other capital assets:				
Depreciable land improvements	8,356,962	160,870	–	8,517,832
Buildings and improvements	75,067,869	22,871,864	–	97,939,733
Machinery, equipment, and other	11,815,517	2,249,351	(373,699)	13,691,169
Vehicles	1,017,605	85,100	(67,781)	1,034,924
Depreciable intangibles	<u>512,750</u>	<u>–</u>	<u>–</u>	<u>512,750</u>
Total other capital assets at historical cost	96,770,703	25,367,185	(441,480)	121,696,408
Less accumulated depreciation for:				
Buildings and improvements	(28,021,120)	(2,045,032)	–	(30,066,152)
Machinery, equipment, and other	(10,182,261)	(750,412)	373,699	(10,558,974)
Vehicles	(945,314)	(31,698)	67,781	(909,231)
Depreciable land improvements	(4,706,847)	(381,212)	–	(5,088,059)
Intangibles	<u>(512,750)</u>	<u>–</u>	<u>–</u>	<u>(512,750)</u>
Total accumulated depreciation	<u>(44,368,292)</u>	<u>(3,208,354)</u>	<u>441,480</u>	<u>(47,135,166)</u>
Other capital assets, net	<u>52,402,411</u>	<u>22,158,831</u>	<u>–</u>	<u>74,561,242</u>
Capital assets, net	<u>\$ 73,320,470</u>	<u>\$ 22,426,364</u>	<u>\$ (15,575,392)</u>	<u>\$ 80,171,442</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – PENSION PLANS

South Carolina Retirement System

The majority of employees of Midland Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a lifetime monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II

members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, 0.15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55%

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 – PENSION PLANS (Continued)

retiree insurance surcharge and 0.15% incidental death benefit. The College's actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$3,695,467, \$3,128,729, and \$3,193,295 respectively, and equaled the base required retirement contribution rate, excluding surcharge of 10.45% for 2013, 9.39% for 2012 and 9.24% for 2011. Also, the College paid employer incidental death program contributions of approximately \$53,045, \$50,006, and \$51,829 at the rate of 0.15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, 0.20% for the incidental death program, 0.20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The College's actual contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were approximately \$31,730, \$22,919, and \$29,096, respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 11.90% for 2013, 11.363% for 2012 and 11.13% for 2011. The College also paid employer incidental death program contributions of approximately \$533, \$403, and \$523, at the rate of 0.20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively. In addition, the College paid accidental death program contributions of approximately \$533, \$403, and \$523, at the rate of 0.20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

Optional Retirement Program

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013, total contributions requirements to the ORP were approximately \$361,940 (excluding the surcharge) from the College as employer and approximately \$242,448 from its employees as plan members. The amounts paid by the College for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

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NOTE 6 – PENSION PLANS (Continued)

applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-

employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013, 4.30% of annual covered payroll for 2012 and 3.90% of annual covered payroll for 2011. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$1,778,754, \$1,565,372, and \$1,477,190 included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012 and 2011, respectively, and equaled the required contributions of 10.45% for fiscal year 2013 (excluding the surcharge) and 9.39% for fiscal year 2012 (excluding the surcharge) and 9.24% for fiscal year 2011 (excluding the surcharge). BLTD benefits are funded through a person's premium charged to State agencies, public school districts,

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (Continued)

and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013 and 2012. The College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$3,577,873 and \$3,277,734 for the years ended June 30, 2013 and 2012, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

One may obtain a copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to all permanent full-time and certain permanent part-time employees of the College. These benefits are provided on a reimbursement basis by the employer agency based on rates established at the beginning of the service period by PEBA. The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$2,523,481 for the year ended June 30, 2013.

NOTE 8 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of college management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2013, the College had remaining commitment balances of approximately \$560,175 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$18,670 at June 30, 2013.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and local appropriations. Authorized funds can be requested as needed once state authorities have given approval to begin specific projects and project expenditures have been incurred.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 9 – LEASE OBLIGATIONS

Operating Leases

The College leases certain office equipment under operating leases with external parties. Future minimum payments under these non-cancelable leases are as follows:

<u>Year Ended June 30,</u>	<u>Operating Leases with External Parties</u>	<u>Operating Leases with Other State Agencies</u>
2014	\$ 78,970	\$ 204,540
2015	66,705	204,540
2016	3,895	—
2017	<u>3,570</u>	<u>—</u>
Total Minimum Payments	<u>\$ 153,140</u>	<u>\$ 409,080</u>

Operating lease payments disbursed to external parties during the fiscal year ended 2013 total \$184,998. Operating lease payments disbursed to other state agencies during the fiscal year ended 2013 total \$204,540. The College's contingent rental payments were \$94,679 for copiers with expense determined on a cost-per-copy basis.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

- CONTINUED -

NOTE 10 – LINE OF CREDIT

The Commission authorized the administration to create a temporary line of credit not to exceed \$1,000,000 if needed to support the operations of the College. The line of credit was not opened during the year. The College has a monthly line of credit in the purchasing card program of \$500,000 and an executive credit card line of credit of \$110,000.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2013, are summarized as follows:

Accounts Payable	\$ 2,932,242
Student Payable	613
Employee Payable	11,356
Construction Payable	1,029,250
Retainage Payable	239,771
Unclaimed Property	5,956
	<u>\$ 4,219,188</u>

Construction and Retainage payable are payables from restricted assets.

NOTE 12 – BONDS and NOTE PAYABLE

Bonds and note payable consisted of the following at June 30, 2013:

	<u>Interest Rates</u>	<u>Original Balance</u>	<u>Final Maturity</u>	<u>Current Balance</u>
General Obligation Bonds				
Series 2011C	2.0% to 5.0%	\$ 15,000,000	03/01/2031	\$ 13,840,000
Series 2007A	4.0% to 5.0%	10,000,000	04/01/2027	9,190,000
Series 2002C	3.0% to 4.5%	5,250,000	10/01/2021	3,115,000
Series 1998A	4.5% to 6.5%	<u>5,000,000</u>	03/01/2018	<u>1,775,000</u>
Total Bonds Payable		<u>\$ 35,250,000</u>		<u>\$ 27,920,000</u>
Note Payable		<u>\$ 41,640</u>	11/01/2012	<u>\$ —</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

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NOTE 12 – BONDS and NOTE PAYABLE (Continued)

General obligation bonds of the state are backed by the full faith, credit, and taxing power of the state. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on general obligation bonds. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed 90 percent of the sums received from tuition and

fees for the preceding fiscal year. Tuition bond fees for the preceding year are \$2,890,918, which results in a legal annual debt service at June 30, 2013, of \$2,601,826. The annual debt service payments for the fiscal year ended June 30, 2013, were \$2,542,430; all issues are subject to arbitrage regulations.

The scheduled maturities of the bonds payable are as follows:

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	\$ 1,325,000	\$ 1,213,780	\$ 2,538,780
2015	1,360,000	1,164,090	2,524,090
2016	1,405,000	1,112,945	2,517,945
2017	1,455,000	1,064,460	2,519,460
2018	1,510,000	1,008,975	2,518,975
2019 – 2023	8,535,000	4,017,805	12,552,805
2024 – 2028	9,255,000	1,893,888	11,148,888
2029 – 2031	<u>3,075,000</u>	<u>312,500</u>	<u>3,387,500</u>
Total	<u>\$ 27,920,000</u>	<u>\$ 11,788,443</u>	<u>\$ 39,708,443</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 13 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Bonds and Note Payable					
General obligation bonds	\$ 29,205,000	\$ —	\$ (1,285,000)	\$ 27,920,000	\$1,325,000
Unamortized bond premium	826,028	—	(45,173)	780,855	—*
Other note payable	29,288	—	(29,288)	—	—
Total bonds and notes and other notes payable	30,060,316	—	(1,359,461)	28,700,855	1,325,000
Accrued compensated absences	3,858,789	1,541,342	(1,312,714)	4,087,417	208,443
Total Long-Term Liabilities	\$ 33,919,105	\$ 1,541,342	\$ (2,672,175)	\$ 32,788,272	\$1,533,443

*amortized to interest expense, straight line, 20 years

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – DISCRETELY PRESENTED COMPONENT UNIT

At June 30, 2013, temporarily restricted net assets are available for the following specific program services:

Periods after June 30, 2013	\$ 177,613
Specific grant programs	1,457,873
	<u>\$ 1,635,486</u>

During the year, temporarily restricted net assets were released for satisfaction of the following restrictions:

Total program restrictions released	<u>\$ 264,201</u>
Time restrictions released	<u>\$ 6,454</u>

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS DISCRETELY PRESENTED COMPONENT UNIT

Permanently restricted net assets of \$3,077,092 at June 30, 2013, are restricted to investment in perpetuity; the income from which is expendable to support the Foundation's objectives.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. Financial statements for these entities are audited by independent auditors and retained by them. They include the Foundation and Enterprise Campus Authority.

Management has reviewed its relationship with the Foundation. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions (if any) between the Foundation and the College for the year ended June 30, 2013.

The Midlands Technical College Foundation:

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the Foundation, scholarships for Midlands Technical College students, or other support of Midlands Technical College. The Foundation's activities are governed by its Board of Directors.

The Foundation exists to provide support of educational programs at Midlands Technical College. All of the Foundation's expenditures are for the operation of the Foundation, scholarships for Midlands Technical College students, or other support of Midlands Technical College. Midlands Technical College provides office space and support services to the Foundation at no cost. Additionally, the Foundation paid the College a total of \$3,000 for administrative services during the year.

The Foundation's assets as of June 30, 2013, were \$6,527,832.

Amounts due from/to the Foundation as of June 30, 2013, are as follows:

Due from the Foundation \$98,226

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS (Continued)

The Midlands Technical College Enterprise Campus Authority:

The Midlands Technical College Enterprise Campus Authority (ECA), as described in Note 1, is a blended component unit and balances for the ECA are incorporated into these financial statements.

Condensed statement of net position as of June 30, 2013:

	Midlands Technical College	Midlands Technical College Enterprise Campus Authority	Primary Government
Current assets:			
Accounts receivable, net	\$ 6,048,173	\$ 1,957	\$ 6,050,130
Internal balances	(1,388,129)	1,388,129	-
Other current assets	85,043,017	-	85,043,017
Total current assets	89,703,061	1,390,086	91,093,147
Non-current assets			
Capital assets, net of depreciation	72,665,549	7,505,893	80,171,442
Other non-current assets	5,693,823	-	5,693,823
Total non-current assets	78,359,372	7,505,893	85,865,265
Total assets	168,062,433	8,895,979	176,958,412
Current liabilities:			
Accounts payable	4,213,175	6,013	4,219,188
Deferred revenue	4,858,859	1,250	4,860,109
Other current liabilities	4,141,335	-	4,141,335
Total current liabilities	13,213,369	7,263	13,220,632
Non-current liabilities	31,254,829	-	31,254,829
Total liabilities	44,468,198	7,263	44,475,461
Net Position			
Invested in capital assets, net of related debt	45,223,045	7,505,893	52,728,938
Restricted for expendable	72,819,974	-	72,819,974
Unrestricted	5,551,216	1,382,823	6,934,039
Total net position	\$ 123,594,235	\$ 8,888,716	\$ 132,482,951

Condensed statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2013:

	Midlands Technical College	Midlands Technical College Enterprise Campus Authority	Primary Government
Operating revenues	\$ 57,044,160	\$ 60,770	\$ 57,104,930
Operating expenses			
Depreciation	3,032,490	175,864	3,208,354
Other expenses	100,508,336	78,197	100,586,533
Total operating expenses	103,540,826	254,061	103,794,887
Operating income (loss)	(46,496,666)	(193,291)	(46,689,957)
Nonoperating revenues (expenses)	50,176,830	-	50,176,830
Increase (decrease) in net position	3,680,164	(193,291)	3,486,873
Net position-beginning of year	119,914,071	9,082,007	128,996,078
Net position-end of year	\$ 123,594,235	\$ 8,888,716	\$ 132,482,951

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 16 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY AND BLENDED PRESENTED COMPONENT UNITS (Continued)

Condensed statement of cash flows for the fiscal year ended June 30, 2013:

	Midlands Technical College	Midlands Technical College Enterprise Campus Authority	Primary Government
Net cash provided (used) by:			
Operating activities	\$ (41,963,610)	\$ (78,834)	\$ (42,042,444)
Noncapital financing activities	47,640,072	-	47,640,072
Interfund activity	(78,834)	78,834	-
Capital and related financing activities	(10,026,312)	-	(10,026,312)
Investing activities	<u>(3,828,660)</u>	<u>-</u>	<u>(3,828,660)</u>
Net increase (decrease) in cash	(8,257,344)	-	(8,257,344)
Beginning cash and cash equivalent balances	<u>25,155,726</u>	<u>-</u>	<u>25,155,726</u>
Ending cash and cash equivalent balances	<u>\$ 16,898,382</u>	<u>\$ -</u>	<u>\$ 16,898,382</u>

NOTE 17 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains state or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims

incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the infirmary

The combined insurance expense for the previously mentioned benefits and insurance for the last three years incurred at the College is as follows:

- 2011 \$3,110,999
- 2012 \$3,270,095
- 2013 \$3,549,046

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 18 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2013, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Instructional	\$ 24,777,980	\$ 6,693,835	\$ —	\$ —	\$ 3,326,709	\$ —	\$ 34,798,524
Academic Support	4,461,764	1,376,083	—	—	1,638,886	—	7,476,733
Student Services	7,613,076	2,152,869	—	—	1,327,235	—	11,093,180
Plant Operations	1,943,159	684,605	—	2,116,062	6,949,841	—	11,693,667
Institutional Support	5,199,297	1,551,986	—	—	3,530,029	—	10,281,312
Scholarships	—	—	16,547,445	—	—	—	16,547,445
Auxiliary Enterprises	963,834	256,358	—	42,846	7,432,634	—	8,695,672
Depreciation	—	—	—	—	—	3,208,354	3,208,354
Total	<u>\$ 44,959,110</u>	<u>\$ 12,715,736</u>	<u>\$ 16,547,445</u>	<u>\$ 2,158,908</u>	<u>\$ 24,205,334</u>	<u>\$ 3,208,354</u>	<u>\$ 103,794,887</u>

NOTE 19 – STATEMENT OF ACTIVITIES

Midlands Technical College's transactions are reported in the Higher Education Fund, an enterprise fund of the State of South Carolina. Following is information needed to present the College's business-type activities in the state's government-wide Statement of Activities.

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 56,007,009	\$ 54,727,608	\$ 1,279,401
Operating grants and contributions	35,458,748	36,408,487	(949,739)
Capital grants and contributions	2,353,816	4,424,847	(2,071,031)
Less: expenses	(104,645,005)	(97,335,152)	(7,309,853)
Net program revenue (expense)	<u>(10,825,432)</u>	<u>(1,774,210)</u>	<u>(9,051,222)</u>
Transfers:			
State appropriation	13,764,914	12,988,274	776,640
State capital appropriations	537,494	1,152,994	(615,500)
Research University Infrastructure			
Bond proceeds	9,897	30,743	(20,846)
Total general revenue and transfers	<u>14,312,305</u>	<u>14,172,011</u>	<u>140,294</u>
Change in net position	3,486,873	12,397,801	(8,910,928)
Net position-beginning	<u>128,996,078</u>	<u>116,598,277</u>	<u>12,397,801</u>
Net position-ending	<u>\$ 132,482,951</u>	<u>\$ 128,996,078</u>	<u>\$ 3,486,873</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 20 – TRANSACTION WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies. Services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 23, 2013, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

STATISTICAL SECTION

This section of the Midlands Technical College Comprehensive Annual Financial Report presents information that will assist in understanding the information in the financial statements, note disclosures, and the required supplementary information about the overall financial health of the College.

CONTENTS

SCHEDULES

Financial Trends

1 - 4

The schedules in this section contain trend information to assist in understanding of how the College's financial performance and well-being have changed over time.

Revenue Capacity

5 - 8

The schedules in this section contain information to assess the College's most significant revenue sources.

Debt Capacity

9 - 10

The schedules in this section present information that assess the affordability of the College's current levels of outstanding debt and the ability of the College to issue additional debt in future years.

Demographic and Economic Information

11 - 12

The schedules in this section offer demographic and economic indicators to assist in understanding the environment within which the College's financial activities occur.

Operating Information

13 - 14

The schedules in this section contain service and infrastructure data to assist in understanding how the information in the College's financial report relates to the services it provides and the activities it performs.

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FINANCIAL TRENDS



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF NET POSITION BY COMPONENT Fiscal Years 2004 - 2013

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
Invested in capital assets, net of related debt	\$ 52,728,938	\$ 49,180,406	\$ 44,494,581	\$ 44,208,837	\$ 43,628,532
Restricted for Expendable:					
Capital projects	64,126,456	66,404,436	59,870,645	46,261,014	34,405,115
Debt service	8,693,518	6,532,137	5,655,988	3,872,761	2,302,791
Unrestricted	6,934,039	6,879,099	6,577,063	6,637,926	5,069,251
Total College net position	<u>\$ 132,482,951</u>	<u>\$ 128,996,078</u>	<u>\$ 116,598,277</u>	<u>\$ 100,980,538</u>	<u>\$ 85,405,689</u>

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$ 43,701,689	\$ 41,282,858	\$ 41,863,617	\$ 42,354,530	\$ 40,695,692
Restricted for Expendable:					
Capital projects	29,572,710	27,511,577	22,734,164	20,241,902	18,473,541
Debt service	1,036,401	550,985	226,150	91,547	146,043
Unrestricted	5,347,917	5,355,725	5,415,743	4,710,567	4,407,885
Total College net position	<u>\$ 79,658,717</u>	<u>\$ 74,701,145</u>	<u>\$ 70,239,674</u>	<u>\$ 67,398,546</u>	<u>\$ 63,723,161</u>

Source: Midlands Technical College Audited Financial Statements

Schedule 2

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF OTHER CHANGES IN NET POSITION
Fiscal Years 2004 - 2013

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
Income Before Other Revenues, Expenses,					
Gains or Losses	\$ 585,666	\$ 6,789,217	\$ 13,421,144	\$ 11,315,492	\$ 2,960,023
State capital appropriations	537,494	1,152,994	3,418	—	—
Other	—	—	—	—	—
Local capital appropriations	2,327,645	4,129,952	2,193,177	2,065,651	2,077,644
Research University Infrastructure Bonds	9,897	30,743	—	54,082	37,409
Proceeds from State Capital Improvement Bonds	—	—	—	2,109,890	606,897
Proceeds from State Institution Bonds	—	—	—	—	—
Contributed capital assets	26,171	294,895	—	32,734	62,000
Gain on disposal of capital assets	—	—	—	—	—
Total increase in net position	<u>\$ 3,486,873</u>	<u>\$ 12,397,801</u>	<u>\$ 15,617,739</u>	<u>\$ 15,577,849</u>	<u>\$ 5,743,973</u>

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
Income Before Other Revenues, Expenses,					
Gains or Losses	\$ 2,099,442	\$ 1,995,967	\$ 956,477	\$ 952,604	\$ 1,495,602
State capital appropriations	—	—	181,858	—	—
Other	—	107,250	—	—	—
Local capital appropriations	2,008,293	1,762,000	1,727,000	1,693,000	1,661,000
Research University Infrastructure Bonds	657,051	339,970	—	—	—
Proceeds from State Capital Improvement Bonds	118,615	—	—	—	—
Proceeds from State Institution Bonds	—	—	—	—	—
Contributed capital assets	74,171	27,168	—	652,380	—
Gain on disposal of capital assets	—	—	—	384,212	—
Total increase in net position	<u>\$ 4,957,572</u>	<u>\$ 4,232,355</u>	<u>\$ 2,865,335</u>	<u>\$ 3,682,196</u>	<u>\$ 3,156,602</u>

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY FUNCTION
Fiscal Years 2004 - 2013

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
Expenses:					
Instruction	\$ 34,798,524	\$ 33,140,850	\$ 31,565,974	\$ 31,659,503	\$ 32,518,891
Academic Support	7,476,733	6,862,681	6,871,478	6,564,331	6,457,966
Student Services	11,093,180	10,415,386	9,503,947	9,668,047	10,496,248
Operation and Maintenance of Plant	11,693,667	8,953,667	8,874,602	9,826,562	7,848,873
Institutional Support	10,281,312	8,232,320	8,083,095	6,407,241	6,947,251
Scholarships	16,547,445	16,809,935	16,298,147	14,856,332	10,805,481
Auxiliary Enterprises	8,695,672	8,738,133	8,471,850	8,752,164	8,214,863
Depreciation and amortization	3,208,354	3,128,168	3,162,951	3,480,213	2,946,028
Total Operating Expenses	<u>103,794,887</u>	<u>96,281,140</u>	<u>92,832,044</u>	<u>91,214,393</u>	<u>86,235,601</u>
Interest on capital asset-related debt	850,118	1,054,012	740,597	580,474	694,459
Loss on disposal of capital assets	—	—	—	—	—
Total Expenses	<u>\$ 104,645,005</u>	<u>\$ 97,335,152</u>	<u>\$ 93,572,641</u>	<u>\$ 91,794,867</u>	<u>\$ 86,930,060</u>

	For the Year Ended June 30,				
	(percentage of total)				
	2013	2012	2011	2010	2009
Expenses:					
Instruction	33.3%	34.0%	33.7%	34.5%	37.4%
Academic Support	7.1%	7.1%	7.3%	7.2%	7.4%
Student Services	10.6%	10.7%	10.2%	10.5%	12.1%
Operation and Maintenance of Plant	11.2%	9.2%	9.5%	10.7%	9.0%
Institutional Support	9.8%	8.5%	8.6%	7.0%	8.1%
Scholarships	15.8%	17.2%	17.4%	16.2%	12.4%
Auxiliary Enterprises	8.3%	9.0%	9.1%	9.5%	9.4%
Depreciation and amortization	3.1%	3.2%	3.4%	3.8%	3.4%
Total Operating Expenses*	<u>99.2%</u>	<u>98.9%</u>	<u>99.2%</u>	<u>99.4%</u>	<u>99.2%</u>
Interest on capital asset-related debt	0.8%	1.1%	0.8%	0.6%	0.8%
Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Midlands Technical College Audited Financial Statements

Schedule 3 (Continued)

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY FUNCTION
Fiscal Years 2004 – 2013
(Continued)

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
Expenses:					
Instruction	\$ 31,780,470	\$ 30,216,217	\$ 25,277,930	\$ 24,500,016	\$ 23,860,773
Academic Support	7,361,904	7,751,721	11,030,361	11,602,944	8,441,232
Student Services	10,275,959	9,006,646	9,163,890	8,860,551	8,359,302
Operation and Maintenance of Plant	9,360,511	8,456,033	7,366,825	5,545,289	5,654,610
Institutional Support	7,964,836	7,793,643	7,776,530	7,837,847	8,075,989
Scholarships	9,143,361	7,657,801	7,563,351	8,266,923	7,605,148
Auxiliary Enterprises	7,120,754	6,934,043	6,520,301	6,174,328	5,943,317
Depreciation and amortization	2,825,469	2,942,705	3,195,626	3,114,946	2,731,849
Total Operating Expenses	<u>85,833,264</u>	<u>80,758,809</u>	<u>77,894,814</u>	<u>75,902,844</u>	<u>70,672,220</u>
Interest on capital asset-related debt	819,216	358,435	316,707	387,754	407,341
Loss on disposal of capital assets	—	9,021	11,098	—	11,453
Total Expenses	<u>\$ 86,652,480</u>	<u>\$ 81,126,265</u>	<u>\$ 78,222,619</u>	<u>\$ 76,290,598</u>	<u>\$ 71,091,014</u>

	For the Year Ended June 30,				
	<i>(percentage of total)</i>				
	2008	2007	2006	2005	2004
Expenses:					
Instruction	36.7%	37.2%	32.4%	32.1%	33.4%
Academic Support	8.5%	9.6%	14.1%	15.2%	11.9%
Student Services	11.9%	11.1%	11.7%	11.6%	11.8%
Operation and Maintenance of Plant	10.8%	10.4%	9.4%	7.3%	8.0%
Institutional Support	9.1%	9.7%	9.9%	10.3%	11.4%
Scholarships	10.6%	9.4%	9.7%	10.8%	10.7%
Auxiliary Enterprises	8.2%	8.5%	8.3%	8.1%	8.4%
Depreciation and amortization	3.3%	3.6%	4.1%	4.1%	3.8%
Total Operating Expenses*	<u>99.1%</u>	<u>99.5%</u>	<u>99.6%</u>	<u>99.5%</u>	<u>99.4%</u>
Interest on capital asset-related debt	0.9%	0.5%	0.4%	0.5%	0.6%
Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Notes: There was a change in allocation estimates beginning with the 2007 fiscal year from telephone usage to square footage.

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY USE Fiscal Years 2004 - 2013

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
Expenses:					
Salaries	\$ 44,959,110	\$ 41,959,466	\$ 40,521,050	\$ 40,944,520	\$ 41,659,673
Benefits	12,715,736	11,156,998	10,813,160	10,400,461	10,716,789
Scholarships	16,547,445	16,809,935	16,298,147	14,856,351	10,806,293
Utilities	2,158,908	1,908,301	1,897,733	1,862,323	1,704,171
Supplies and Other Services	24,205,334	21,318,272	20,139,003	19,670,525	18,402,647
Depreciation and amortization	3,208,354	3,128,168	3,162,951	3,480,213	2,946,028
Total Operating Expenses	<u>103,794,887</u>	<u>96,281,140</u>	<u>92,832,044</u>	<u>91,214,393</u>	<u>86,235,601</u>
Interest on capital asset-related debt	850,118	1,054,012	740,597	580,474	694,459
Loss on disposal of capital assets	—	—	—	—	—
Total Expenses	<u>\$104,645,005</u>	<u>\$ 97,335,152</u>	<u>\$ 93,572,641</u>	<u>\$ 91,794,867</u>	<u>\$ 86,930,060</u>

	For the Year Ended June 30,				
	(percentage of total)				
	2013	2012	2011	2010	2009
Expenses:					
Salaries	43.0%	43.1%	44.3%	44.6%	47.9%
Benefits	12.2%	11.5%	11.6%	11.3%	12.3%
Scholarships	15.8%	17.3%	17.4%	16.2%	12.4%
Utilities	2.1%	2.0%	2.0%	2.0%	2.0%
Supplies and Other Services	23.1%	21.9%	21.5%	21.4%	21.2%
Depreciation and amortization	3.1%	3.2%	2.4%	3.8%	3.4%
Total Operating Expenses	<u>99.2%</u>	<u>99.0%</u>	<u>99.2%</u>	<u>99.3%</u>	<u>99.2%</u>
Interest on capital asset-related debt	0.8%	1.0%	0.8%	0.7%	0.8%
Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Midlands Technical College Audited Financial Statements

Schedule 4 (Continued)

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF EXPENSES BY USE
Fiscal Years 2004 - 2013
(Continued)

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
Expenses:					
Salaries	\$ 41,493,810	\$ 38,946,598	\$ 37,437,269	\$ 35,475,529	\$ 32,879,920
Benefits	10,668,545	9,761,904	8,762,729	8,346,803	8,270,566
Scholarships	9,146,725	7,664,137	7,567,105	8,266,923	7,605,148
Utilities	1,557,301	1,507,205	1,478,465	1,322,563	1,310,794
Supplies and Other Services	20,141,414	19,936,260	19,453,620	19,376,080	17,873,943
Depreciation and amortization	<u>2,825,469</u>	<u>2,942,705</u>	<u>3,195,626</u>	<u>3,114,946</u>	<u>2,731,849</u>
Total Operating Expenses	<u>85,833,264</u>	<u>80,758,809</u>	<u>77,894,814</u>	<u>75,902,844</u>	<u>70,672,220</u>
Interest on capital asset-related debt	819,216	358,435	316,707	387,754	407,341
Loss on disposal of capital assets	—	9,021	11,098	—	11,453
Total Expenses	<u>\$ 86,652,480</u>	<u>\$ 81,126,265</u>	<u>\$ 78,222,619</u>	<u>\$ 76,290,598</u>	<u>\$ 71,091,014</u>

	For the Year Ended June 30,				
	<i>(percentage of total)</i>				
	2008	2007	2006	2005	2004
Expenses:					
Salaries	47.9%	48.0%	47.8%	46.6%	46.4%
Benefits	12.3%	12.0%	11.2%	10.9%	11.6%
Scholarships	10.6%	9.4%	9.7%	10.8%	10.7%
Utilities	1.8%	1.9%	1.9%	1.7%	1.8%
Supplies and Other Services	23.2%	24.6%	24.9%	25.4%	25.1%
Depreciation and amortization	<u>3.3%</u>	<u>3.6%</u>	<u>4.1%</u>	<u>4.1%</u>	<u>3.8%</u>
Total Operating Expenses	<u>99.1%</u>	<u>99.5%</u>	<u>99.6%</u>	<u>99.5%</u>	<u>99.4%</u>
Interest on capital asset-related debt	0.9%	0.5%	0.4%	0.5%	0.6%
Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Midlands Technical College Audited Financial Statements

REVENUE CAPACITY



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE
Fiscal Years 2004 – 2013

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
Revenues:					
Student tuition and fees (net of scholarship allowances)	\$ 33,794,392	\$ 34,197,090	\$ 33,701,765	\$ 30,100,618	\$ 27,458,566
Federal grants and contracts	3,989,733	3,086,863	4,297,583	4,647,287	4,247,981
State grants and contracts	11,508,569	10,267,703	10,471,492	10,414,431	10,488,055
Non-governmental grants and contracts	23,333	34,181	21,035	24,297	50,495
Sales and services	37,089	41,724	50,674	57,263	49,404
Auxiliary enterprises (net of book allowances)	6,653,893	7,100,047	7,402,923	7,870,276	7,446,119
Other operating revenues	<u>1,097,921</u>	<u>617,427</u>	<u>1,053,742</u>	<u>778,608</u>	<u>579,939</u>
Total Operating Revenues	<u>57,104,930</u>	<u>55,345,035</u>	<u>56,999,214</u>	<u>53,892,780</u>	<u>50,320,559</u>
State appropriations	13,764,914	12,988,274	12,541,521	14,889,269	16,429,386
Local appropriations	9,084,966	8,691,390	8,501,897	8,249,216	8,007,084
Investment income	291,393	454,254	425,412	412,046	1,166,228
Federal grants and contracts	24,984,468	26,645,416	28,525,741	25,667,048	13,975,824
State grants and contracts	—	—	—	—	—
State capital appropriations	537,494	1,152,994	3,418	2,109,890	606,897
Local capital appropriations	2,327,645	4,129,952	2,193,177	2,065,651	2,077,644
Capital asset contributions	26,171	294,895	—	32,734	62,000
Proceeds from state capital improvement bonds	—	—	—	—	—
Proceeds from state institution bonds	—	—	—	—	—
Gains on disposal of capital assets	—	—	—	—	—
Research university infrastructure bonds	9,897	30,743	—	54,082	37,409
Other	—	—	—	—	—
Total Non-operating Revenues	<u>51,026,948</u>	<u>54,387,918</u>	<u>52,191,166</u>	<u>53,479,936</u>	<u>42,362,472</u>
Total Revenues	<u>\$ 108,131,878</u>	<u>\$ 109,732,953</u>	<u>\$ 109,190,380</u>	<u>\$ 107,372,716</u>	<u>\$ 92,683,031</u>

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE
Fiscal Years 2004 – 2013
(Continued)

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Student tuition and fees (net of scholarship allowances)	\$ 25,260,302	\$ 23,468,385	\$ 21,991,171	\$ 22,071,267	\$ 21,447,627
Federal grants and contracts	4,036,557	3,063,087	2,927,313	3,116,754	3,051,064
State grants and contracts	9,784,694	10,079,966	9,263,216	7,708,835	6,916,114
Non-governmental grants and contracts	23,312	195,870	265,726	996,733	219,232
Sales and services	47,920	59,011	65,595	66,857	55,172
Auxiliary enterprises (net of book allowances)	6,837,824	6,181,968	5,842,028	5,909,485	5,586,006
Other operating revenues	732,096	742,382	707,089	562,669	598,040
Total Operating Revenues	<u>46,722,705</u>	<u>43,790,669</u>	<u>41,062,138</u>	<u>40,432,600</u>	<u>37,873,255</u>
State appropriations	21,417,186	19,759,248	19,059,973	19,014,685	18,323,689
Local appropriations	7,550,682	7,198,337	7,628,088	5,915,254	5,758,676
Investment income	1,951,341	1,832,051	1,189,573	664,880	256,266
Federal grants and contracts	11,108,828	9,941,927	10,221,346	11,107,146	10,219,688
State grants and contracts	—	—	17,978	194,714	155,042
State capital appropriations	118,615	—	181,858	—	—
Local capital appropriations	2,008,293	1,762,000	1,727,000	1,693,000	1,661,000
Capital asset contributions	74,171	27,168	—	652,380	—
Proceeds from state capital improvement bonds	—	—	—	—	—
Proceeds from state institution bonds	—	—	—	—	—
Gains on disposal of capital assets	—	—	—	384,212	—
Research university infrastructure bonds	657,051	339,970	—	—	—
Other	1,000	107,250	—	—	—
Total Non-operating Revenues	<u>44,887,347</u>	<u>40,967,951</u>	<u>40,025,816</u>	<u>39,626,271</u>	<u>36,374,361</u>
Total Revenues	<u>\$ 91,610,052</u>	<u>\$ 84,758,620</u>	<u>\$ 81,087,954</u>	<u>\$ 80,058,871</u>	<u>\$ 74,247,616</u>

Source: Midlands Technical College Audited Financial Statements

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF REVENUES BY SOURCE
Fiscal Years 2004-2013

	For the Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Student tuition and fees (net of scholarship allowances)	31.3%	31.2%	30.9%	28.0%	29.6%	27.6%	27.5%	27.1%	27.6%	28.9%
Federal grants and contracts	3.7%	2.8%	3.9%	4.3%	4.6%	4.3%	4.3%	3.6%	3.9%	4.1%
State grants and contracts	10.6%	9.4%	9.7%	9.7%	11.3%	10.7%	11.8%	11.4%	9.6%	9.3%
Non-governmental grants and contracts	—	—	—	—	0.1%	—	0.2%	0.3%	1.3%	0.3%
Sales and services	—	—	—	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Auxiliary enterprises (net of book allowances)	6.2%	6.5%	6.8%	7.3%	8.0%	7.5%	7.2%	7.2%	7.4%	7.5%
Other operating revenues	1.0%	0.6%	0.9%	0.7%	0.6%	0.8%	0.9%	0.9%	0.7%	0.8%
Total Operating Revenues	<u>52.8%</u>	<u>50.4%</u>	<u>52.3%</u>	<u>50.1%</u>	<u>54.3%</u>	<u>51.0%</u>	<u>52.0%</u>	<u>50.6%</u>	<u>50.6%</u>	<u>51.0%</u>
State appropriations	12.7%	11.8%	11.4%	13.9%	17.7%	23.4%	23.1%	23.6%	23.8%	24.7%
Local appropriations	8.4%	7.9%	7.8%	7.7%	8.6%	8.2%	8.4%	9.4%	7.4%	7.8%
Investment income	0.3%	0.4%	0.4%	0.4%	1.3%	2.1%	2.1%	1.5%	0.8%	0.3%
Federal grants and contracts	23.1%	24.3%	26.1%	23.9%	15.1%	12.2%	11.8%	12.6%	13.8%	13.8%
State grants and contracts	—	—	—	—	0.0%	—	—	—	0.2%	0.2%
State capital appropriations	0.5%	1.1%	—	2.0%	0.7%	0.1%	—	0.2%	—	—
Local capital appropriations	2.2%	3.8%	2.0%	1.9%	2.2%	2.2%	2.1%	2.1%	2.1%	2.2%
Capital contributions	—	0.3%	—	—	0.1%	0.1%	—	—	0.8%	—
Proceeds from state capital improvement bonds	—	—	—	—	—	—	—	—	—	—
Proceeds from state institution bonds	—	—	—	—	—	—	—	—	—	—
Gains on disposal of capital assets	—	—	—	—	—	—	—	—	0.5%	—
Research university infrastructure bonds	—	—	—	0.1%	—	0.7%	0.4%	—	—	—
Other	—	—	—	—	—	—	0.1%	—	—	—
Total Non-operating Revenues	<u>47.2%</u>	<u>49.6%</u>	<u>47.7%</u>	<u>49.9%</u>	<u>45.7%</u>	<u>49.0%</u>	<u>48.0%</u>	<u>49.4%</u>	<u>49.4%</u>	<u>49.0%</u>
Total Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Midlands Technical College Audited Financial Statements

Schedule 6

ANNUAL TUITION AND FEES

SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – IN STATE
Last Ten Academic Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Technical Colleges										
In-County										
Aiken	\$3,866	\$ 3,722	\$ 3,706	\$ 3,626	\$ 3,506	\$ 3,298	\$ 3,190	\$ 3,036	\$ 2,836	\$ 2,600
Central Carolina	\$3,584	\$ 3,476	\$ 3,380	\$ 3,308	\$ 3,020	\$ 2,920	\$ 2,900	\$ 2,700	\$ 2,500	\$ 2,500
Denmark	\$2,568	\$ 2,500	\$ 2,500	\$ 2,492	\$ 2,378	\$ 2,278	\$ 2,278	\$ 2,378	\$ 2,278	\$ 2,248
Florence-Darlington	\$3,766	\$ 3,658	\$ 3,526	\$ 3,302	\$ 3,190	\$ 3,190	\$ 3,190	\$ 3,026	\$ 2,986	\$ 2,976
Greenville	\$3,866	\$ 3,748	\$ 3,616	\$ 3,492	\$ 3,396	\$ 3,290	\$ 3,190	\$ 3,000	\$ 2,900	\$ 2,600
Horry-Georgetown	\$3,530	\$ 3,530	\$ 3,357	\$ 3,206	\$ 3,194	\$ 3,114	\$ 2,944	\$ 2,800	\$ 2,680	\$ 2,394
Midlands	\$3,788	\$ 3,706	\$ 3,680	\$ 3,608	\$ 3,360	\$ 3,244	\$ 3,100	\$ 3,004	\$ 2,908	\$ 2,836
Northeastern TC	\$3,534	\$ 3,438	\$ 3,342	\$ 3,342	\$ 3,270	\$ 2,982	\$ 2,646	\$ 2,526	\$ 2,346	\$ 2,346
Orangeburg-Calhoun	\$3,650	\$ 3,554	\$ 3,434	\$ 3,218	\$ 3,048	\$ 2,832	\$ 2,832	\$ 2,640	\$ 2,640	\$ 2,496
Piedmont	\$3,714	\$ 3,572	\$ 3,540	\$ 3,334	\$ 3,076	\$ 3,076	\$ 2,956	\$ 2,860	\$ 2,740	\$ 2,596
Spartanburg	\$3,820	\$ 3,740	\$ 3,576	\$ 3,434	\$ 3,314	\$ 3,194	\$ 3,094	\$ 2,902	\$ 2,806	\$ 2,660
TC of the Lowcountry	\$3,772	\$ 3,676	\$ 3,556	\$ 3,382	\$ 3,270	\$ 3,150	\$ 3,050	\$ 3,050	\$ 2,900	\$ 2,600
Tri-County	\$3,648	\$ 3,570	\$ 3,465	\$ 3,168	\$ 3,060	\$ 2,976	\$ 2,856	\$ 2,738	\$ 2,546	\$ 2,450
Trident	\$3,712	\$ 3,600	\$ 3,530	\$ 3,450	\$ 3,330	\$ 3,220	\$ 3,114	\$ 2,950	\$ 2,688	\$ 2,446
Williamsburg	\$3,540	\$ 3,438	\$ 3,264	\$ 3,042	\$ 2,942	\$ 2,830	\$ 2,830	\$ 2,692	\$ 2,692	\$ 2,112
York	\$3,712	\$ 3,627	\$ 3,496	\$ 3,352	\$ 3,244	\$ 3,124	\$ 3,124	\$ 3,036	\$ 2,886	\$ 2,736
Two-Year Regional Campus of USC										
In State										
USC - Lancaster	\$6,284	\$ 6,092	\$ 5,864	\$ 5,528	\$5,264	\$4,868	\$ 4,652	\$ 4,324	\$ 4,058	\$ 3,656
USC - Salkehatchie	\$6,284	\$ 6,092	\$ 5,864	\$ 5,528	\$5,264	\$4,868	\$ 4,652	\$ 4,324	\$ 4,058	\$ 3,656
USC - Sumter	\$6,284	\$ 6,092	\$ 5,864	\$ 5,528	\$5,264	\$4,868	\$ 4,652	\$ 4,324	\$ 4,058	\$ 3,656
USC - Union	\$6,284	\$ 6,092	\$ 5,864	\$ 5,528	\$5,264	\$4,868	\$ 4,652	\$ 4,324	\$ 4,058	\$ 3,656

Source: South Carolina Commission on Higher Education

ANNUAL TUITION AND FEES

SOUTH CAROLINA PUBLIC TWO-YEAR INSTITUTIONS – OUT OF STATE
Last Ten Academic Years
(Continued)

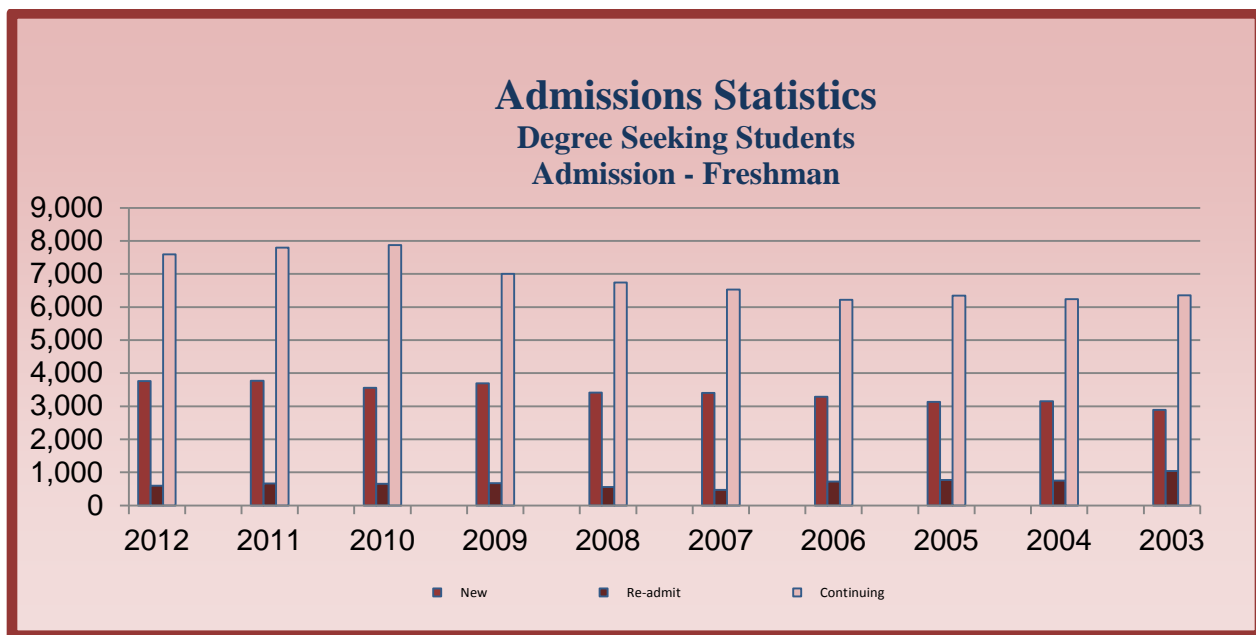
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Technical Colleges										
Out of State										
Aiken	\$10,130	\$ 10,130	\$ 10,130	\$ 10,130	\$ 9,794	\$ 9,222	\$ 8,906	\$ 8,518	\$ 7,942	\$ 7,300
Central Carolina	\$6,232	\$ 6,042	\$ 5,872	\$ 5,744	\$ 5,372	\$ 5,176	\$ 5,156	\$ 4,800	\$ 5,118	\$ 5,118
Denmark	\$4,920	\$ 4,780	\$ 4,780	\$ 4,676	\$ 4,466	\$ 4,366	\$ 4,366	\$ 4,466	\$ 4,466	\$ 4,036
Florence-Darlington	\$5,862	\$ 5,754	\$ 5,622	\$ 5,398	\$ 5,286	\$ 5,286	\$ 5,286	\$ 5,122	\$ 5,122	\$ 5,072
Greenville	\$7,910	\$ 7,660	\$ 7,372	\$ 7,116	\$ 6,912	\$ 6,698	\$ 6,490	\$ 6,110	\$ 6,110	\$ 5,550
Horry-Georgetown	\$5,794	\$ 5,794	\$ 5,354	\$ 5,046	\$ 5,034	\$ 4,914	\$ 4,408	\$ 4,408	\$ 4,288	\$ 4,248
Midlands	\$10,940	\$ 10,714	\$ 10,640	\$ 10,474	\$ 9,840	\$ 9,532	\$ 9,100	\$ 8,812	\$ 8,524	\$ 8,308
Northeastern TC	\$6,078	\$ 5,982	\$ 5,886	\$ 5,886	\$ 5,886	\$ 5,454	\$ 5,118	\$ 4,110	\$ 3,936	\$ 3,936
Orangeburg-Calhoun	\$6,218	\$ 6,218	\$ 6,218	\$ 6,218	\$ 4,488	\$ 4,464	\$ 4,464	\$ 4,464	\$ 4,464	\$ 4,464
Piedmont	\$5,322	\$ 5,180	\$ 5,148	\$ 4,942	\$ 4,684	\$ 4,684	\$ 4,564	\$ 4,468	\$ 4,372	\$ 4,252
Spartanburg	\$7,716	\$ 7,616	\$ 7,338	\$ 7,196	\$ 7,048	\$ 6,110	\$ 5,988	\$ 5,490	\$ 5,370	\$ 5,200
TC of the Lowcountry	\$8,212	\$ 8,020	\$ 7,760	\$ 7,436	\$ 7,082	\$ 6,912	\$ 5,932	\$ 5,932	\$ 3,860	\$ 3,860
Tri-County	\$8,124	\$ 7,944	\$ 7,767	\$ 7,032	\$ 6,786	\$ 6,594	\$ 6,348	\$ 6,084	\$ 5,916	\$ 5,820
Trident	\$7,000	\$ 6,814	\$ 6,682	\$ 6,532	\$ 6,308	\$ 6,100	\$ 5,898	\$ 5,586	\$ 5,274	\$ 4,976
Williamsburg	\$6,840	\$ 6,642	\$ 6,282	\$ 5,850	\$ 5,642	\$ 5,292	\$ 5,292	\$ 4,990	\$ 4,990	\$ 4,968
York	\$8,392	\$ 8,176	\$ 7,864	\$ 7,528	\$ 7,288	\$ 7,000	\$ 6,664	\$ 6,664	\$ 6,336	\$ 6,016
Two-Year Regional Campuses of USC										
Out of State										
USC - Lancaster	\$15,158	\$ 14,696	\$ 14,144	\$ 13,304	\$ 12,680	\$ 11,780	\$ 11,228	\$ 10,384	\$ 9,720	\$ 8,754
USC - Salkehatchie	\$15,158	\$ 14,696	\$ 14,144	\$ 13,304	\$ 12,680	\$ 11,780	\$ 11,228	\$ 10,384	\$ 9,720	\$ 8,754
USC - Sumter	\$15,158	\$ 14,696	\$ 14,144	\$ 13,304	\$ 12,680	\$ 11,780	\$ 11,228	\$ 10,384	\$ 9,720	\$ 8,754
USC - Union	\$15,158	\$ 14,696	\$ 14,144	\$ 13,304	\$ 12,680	\$ 11,780	\$ 11,228	\$ 10,384	\$ 9,720	\$ 8,754

Source: South Carolina Commission on Higher Education

MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS Last Ten Academic Years

	Academic Year Beginning in Fall									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Degree Seeking Students										
Admission - Freshman										
New	3,755	3,772	3,552	3,692	3,416	3,402	3,281	3,126	3,154	2,885
Re-admit	600	659	657	669	554	472	721	773	752	1,038
Continuing	<u>7,594</u>	<u>7,793</u>	<u>7,869</u>	<u>6,998</u>	<u>6,737</u>	<u>6,532</u>	<u>6,221</u>	<u>6,344</u>	<u>6,238</u>	<u>6,358</u>
Total	11,949	12,224	12,078	11,359	10,707	10,406	10,223	10,243	10,144	10,281



Notes:

*Midlands Technical College has an open enrollment policy.
All figures are unduplicated unless otherwise stated.*

MIDLANDS TECHNICAL COLLEGE

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS
Last Ten Academic Years
(continued)

	Academic Year Beginning in Fall									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Enrollment (Credit Programs Only)										
Undergraduate FTE	8,916	9,209	9,275	9,306	8,520	8,005	7,822	7,770	7,807	7,710
Undergraduate headcount	16,946	17,486	17,355	17,440	16,490	15,602	15,426	15,551	15,460	15,317
Percentage of men	40%	39%	39%	39%	38%	38%	37%	37%	37%	38%
Percentage of women	60%	61%	61%	61%	62%	62%	63%	63%	63%	62%
Percentage of African-American	39%	38%	33%	37%	36%	35%	37%	37%	37%	36%
Percentage of Hispanic	3%	3%	2%	2%	2%	3%	2%	2%	2%	2%
Percentage of white	53%	53%	49%	54%	54%	56%	55%	55%	54%	55%
Percentage of other	6%	6%	16%	7%	7%	6%	6%	6%	7%	7%
Degrees Granted										
			<i>(Based on IPEDS terms beginning Summer, Fall, Spring)</i>							
Associate Degree	1,144	1,006	917	779	815	904	842	872	844	828
Diploma	111	127	87	87	126	116	80	93	133	93
Certificate	906	832	781	917	725	680	679	732	805	799
Total Awarded	2,161	1,965	1,785	1,783	1,666	1,700	1,583	1,697	1,762	1,720

*Notes:**Midlands Technical College has an open enrollment policy.**All figures are unduplicated unless otherwise stated.*

Schedule 8

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT PERCENTAGES BY COUNTY
Last Ten Fall Terms

Historic County of Residence

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Richland	49%	48%	47%	47%	47%	48%	48%	48%	47%	47%
Lexington	34%	35%	35%	34%	34%	35%	35%	35%	35%	35%
Fairfield	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Other	<u>15%</u>	<u>15%</u>	<u>16%</u>	<u>17%</u>	<u>17%</u>	<u>16%</u>	<u>15%</u>	<u>15%</u>	<u>16%</u>	<u>16%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Campus of Attendance*

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Airport	49%	48%	49%	49%	50%	51%	51%	52%	52%	50%
Beltline	39%	40%	40%	40%	39%	39%	39%	39%	40%	42%
Other	<u>12%</u>	<u>12%</u>	<u>11%</u>	<u>11%</u>	<u>11%</u>	<u>10%</u>	<u>10%</u>	<u>9%</u>	<u>8%</u>	<u>8%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Average Age

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Average Age	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>

**NOTE: Does not include Harbison Campus, which offers continuing education courses only*
Source: Midlands Technical College Student Information System database

DEBT CAPACITY



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF RATIOS OF OUTSTANDING BONDED DEBT AND NOTE PAYABLE Last Ten Fiscal Years

	For the Year Ended June 30,				
	2013	2012	2011	2010	2009
General obligation bonds*	\$ 27,920	\$ 29,205	\$ 30,460	\$ 16,110	\$ 16,735
Note Payable	<u>—</u>	<u>30</u>	<u>41</u>	<u>—</u>	<u>64</u>
Total outstanding debt	<u>\$ 27,920</u>	<u>\$ 29,235</u>	<u>\$ 30,501</u>	<u>\$ 16,110</u>	<u>\$ 16,799</u>
Full-time equivalent students					
Credit	8,916	9,104	8,941	8,386	7,846
Corporate and Continuing Education	<u>781</u>	<u>843</u>	<u>766</u>	<u>727</u>	<u>667</u>
Total enrollment	<u>9,697</u>	<u>9,947</u>	<u>9,707</u>	<u>9,113</u>	<u>8,513</u>
Outstanding debt per FTE	\$ 2,879	\$ 2,939	\$ 3,142	\$ 1,768	\$ 1,973

Notes: Corporate and Continuing Education contact hours converted to full-time equivalent enrollment

Source: Midlands Technical College Comprehensive Annual Financial Reports
Formula Computation Allocation Worksheet provided by the System Office for years presented

*Dollars in thousands

Schedule 9 (continued)

MIDLANDS TECHNICAL COLLEGE

**SCHEDULE OF RATIOS OF OUTSTANDING BONDED DEBT AND NOTE PAYABLE
Last Ten Fiscal Years**

	For the Year Ended June 30,				
	2008	2007	2006	2005	2004
General obligation bonds*	\$ 17,335	\$ 17,910	\$ 8,330	\$ 8,725	\$ 9,105
Note Payable	126	186	244	300	—
Total outstanding debt	<u>\$ 17,461</u>	<u>\$ 18,096</u>	<u>\$ 8,574</u>	<u>\$ 9,025</u>	<u>\$ 9,105</u>
Full-time equivalent students					
Credit	7,775	7,802	7,741	7,539	7,786
Corporate and Continuing Education	649	628	626	658	679
Total enrollment	<u>8,424</u>	<u>8,430</u>	<u>8,367</u>	<u>8,197</u>	<u>8,465</u>
Outstanding debt per FTE	\$ 2,072	\$ 2,147	\$ 1,025	\$ 1,101	\$ 1,076

Notes: Corporate and Continuing Education contact hours converted to full-time equivalent enrollment

Source: Midlands Technical College Comprehensive Annual Financial Reports
Formula Computation Allocation Worksheet provided by the System Office for years presented

*Dollars in thousands

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF BOND COVERAGE Last Ten Fiscal Years

General Obligation Bonds

Fiscal Year Ended June 30,	Budgeted Capital Fees	Debt Service Requirements				Coverage Ratio
		Total Revenue Available for Debt Service	Principal	Interest	Total	
2013	\$ 2,890,918	\$ 2,890,918	\$ 1,285,000	\$ 1,257,430	\$ 2,542,430	1.14
2012	2,890,918	2,890,918	1,255,000	1,298,260	2,553,260	1.13
2011	1,850,025	1,850,025	650,000	691,785	1,341,785	1.38
2010	1,347,947	1,347,947	625,000	717,630	1,342,630	1.00
2009	1,347,947	1,800,000	600,000	742,299	1,342,299	1.34
2008	1,800,000	1,800,000	575,000	764,843	1,339,843	2.32
2007	1,800,000	1,800,000	420,000	355,818	775,818	2.35
2006	1,800,000	1,493,820	395,000	370,968	765,968	1.95
2005	1,493,820	1,132,000	380,000	385,393	765,393	1.49
2004	1,132,000	1,132,000	355,000	402,703	757,703	1.61

Source: Midlands Technical College Finance and Accounting Office

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DEMOGRAPHIC AND ECONOMIC INFORMATION



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MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

	Population in College's Service Area ^a			Total Annual Personal Income				Unemployment Rate			
	<u>Richland</u>	<u>Lexington</u>	<u>Fairfield</u>	<u>Richland</u>	<u>Lexington</u>	<u>Fairfield</u>	<u>South Carolina</u>	<u>Richland</u>	<u>Lexington</u>	<u>Fairfield</u>	<u>South Carolina</u>
				^b	^b	^b	^b	^d	^d	^d	^e
2012	389,347	270,406	23,363					8.40%	6.90%	12.00%	9.60%
2011	389,116	267,129	23,571	36,647	35,211	27,062	33,388	9.20%	7.80%	12.40%	10.70%
2010	374,922	258,887	33,991	35,018 ^h	34,313 ^h	26,703 ^h	32,193 ^h	9.60%	8.10%	13.40%	11.20%
2009	372,023	255,607	23,343	36,302	33,996	27,395	31,799	9.60%	8.40%	13.40%	11.70%
2008	364,007	248,518	23,435	36,006	35,960	27,263	31,884	6.10%	4.90%	10.80%	6.90%
2007	357,734	243,270	23,333	34,434	34,744	25,725	31,103	5.50%	4.40%	8.60%	5.90%
2006	348,226	240,160	23,810	33,157	33,645	25,427	30,041	5.80%	4.70%	8.80%	6.50% ^c
2005	340,078	235,272	24,047	31,518	31,575	23,926	28,292	5.90%	4.90%	7.80%	6.70% ^f
2004	335,597	230,861	24,144	30,190	31,282	22,524	27,069	6.00%	4.90%	8.00%	6.90%
2003	331,858	226,984	23,827	28,628	29,633	21,414	25,873	5.60%	4.50%	10.60%	6.80%

Sources:

^a South Carolina Department of Employment & Workforce^b Data not available for 2013^c 2006 Total Annual Personal Income is from the Bureau of Economic Analysis^d U.S. Department of Labor, Bureau of Labor Statistics, County Data^e U.S. Census Bureau, Statistical Abstract of the United States^f Labor Market Info Online - Labor Force not seasonally adjusted data^g Bureau of Economic Analysis^h 2010 SC PCPI Source – Bureau of Business & Economic Research, CA1-3 Personal income summary.

Schedule 12

**MIDLANDS TECHNICAL COLLEGE
PRINCIPAL EMPLOYERS BY COUNTY
June 30, 2013**

County		
Richland	Lexington	Fairfield
Allied Barton Security Services, LLC	Amazon.com, Inc.	Elite ES, LLC
Blue Cross Blue Shield of South Carolina	Babcock Center Inc.	Fairfield County Board of Disabilities
Cellco Partnership	Food Lion LLC	Fairfield County Council
City of Columbia	House of Raeford Farms Inc.	Fairfield County School District
Computer Sciences Corporation	Lexington County Government	Fairfield Healthcare Center LLC
Department of Defense	Lexington County Health Service District	Fairfield Memorial Hospital
Palmetto GBA LLC	Lexington County School District #1	G4S Secure Solutions USA, Inc.
Palmetto Health	Lexington County School District #2	Lang Mekra North America LLC
Richland County	Lexington County School District #5	Palmetto State Armory, LLC
Richland County School District 1	Michelin North America Inc.	Performance Fibers Operations Inc.
Richland County School District 2	Publix Super Markets, Inc.	SCE&G
SC Department of Transportation	Midlands Technical College	Shaw Constructors
SC Department of Corrections	SC Electric & Gas Company	Shaw Services, LLC
SC Department of Health & Human Services	SCANA Services, Inc.	Stone & Webster Services LLC
SC Department of Mental Health	SMX, LLC	The Ben Arnold Heritage Beverage Company
Sisters of Charity Providence Hospital	Southeastern Freight Lines Inc.	Town of Winnsboro
University of South Carolina	Teleperformance USA Inc.	Unihealth Post Acute Care Tanglewood
Wal-Mart Associates, Inc.	United Parcel Service	United Hospice Inc.
Westinghouse Electric Company, LLC	Wal-Mart Associates Inc.	Wal-Mart Associates Inc.
WJBD VA Medical Center	Walter P. Rawl & Sons, Inc.	Winnsboro Petroleum Company Inc.

Note: Due to confidentiality issues, the number of employees for each company is not available. The employers are listed alphabetically and not in order of size.

Source: South Carolina Department of Employment & Workforce – 2012 Q4

OPERATING INFORMATION

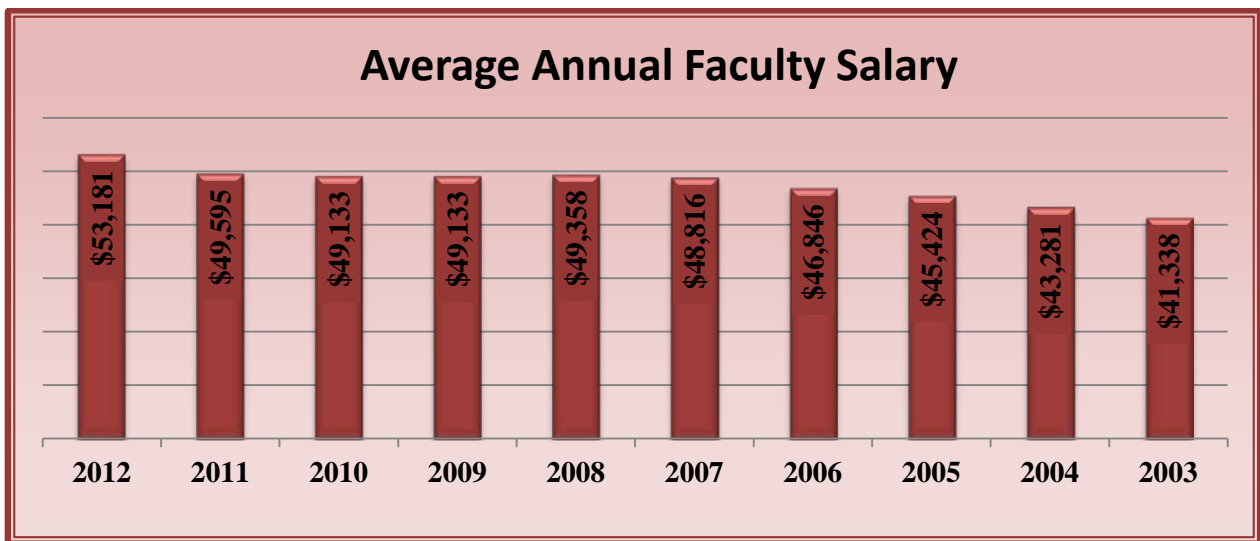
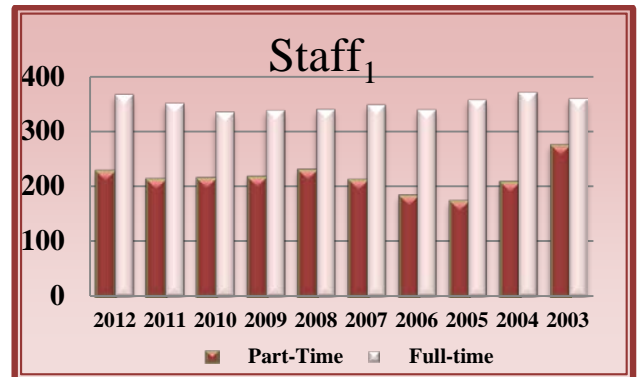
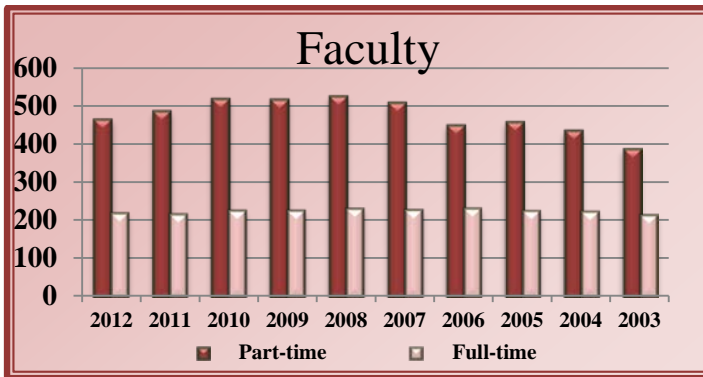


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MIDLANDS TECHNICAL COLLEGE

FACULTY AND STAFF STATISTICS Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty										
Part-time	465	487	519	517	526	509	450	458	435	387
Full-time	217	214	224	224	229	225	230	223	221	212
Staff ¹										
Part-time	228	213	215	217	230	212	183	173	208	275
Full-time	368	352	336	339	341	349	340	358	372	360
Total Employees	1278	1266	1294	1297	1326	1295	1203	1212	1236	1234
Part-time	693	700	734	734	756	721	633	631	643	662
Full-time	585	566	560	563	570	574	570	581	593	572
Average Annual Faculty Salary	\$53,181	\$49,595	\$49,133	\$49,133	\$49,358	\$48,816	\$46,846	\$45,424	\$43,281	\$41,338



Source: Integrated Postsecondary Education Data System (IPEDS) data for years indicated

Note: ¹ Includes administrators
Data not available for 2013.

Schedule 14

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF CAPITAL ASSET INFORMATION BY FUNCTION
Last Nine Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009¹</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction									
Assignable Square Feet	352,788	348,678	342,550	330,758	330,442	327,371	331,243	331,243	331,897
Percent Use	56.49%	56.21%	55.77%	55.05%	55.13%	55.31%	55.55%	55.55%	55.64%
Public Service									
Assignable Square Feet	575	575	575	575	575	575	575	575	575
Percent Use	0.09%	0.09%	0.09%	0.10%	0.10%	0.10%	0.08%	0.08%	0.08%
Academic Support									
Assignable Square Feet	29,099	29,099	29,099	29,099	29,099	28,209	28,209	28,209	28,209
Percent Use	4.66%	4.69%	4.74%	4.84%	4.85%	4.77%	4.73%	4.73%	4.73%
Student Services									
Assignable Square Feet	43,293	43,293	43,293	43,293	42,669	41,159	41,159	41,159	41,159
Percent Use	6.93%	6.98%	7.05%	7.21%	7.12%	6.95%	6.90%	6.90%	6.90%
Institutional Support									
Assignable Square Feet	47,711	47,711	47,711	47,711	47,895	47,770	47,507	45,507	45,507
Percent Use	7.64%	7.69%	7.77%	7.94%	7.99%	8.07%	7.97%	7.97%	7.97%
Plant Operations and Maintenance									
Assignable Square Feet	116,127	116,127	116,127	114,527	113,875	112,047	112,839	112,839	112,408
Percent Use	18.60%	18.72%	18.91%	19.06%	19.00%	18.93%	18.92%	18.92%	18.85%
Auxiliary Enterprises									
Assignable Square Feet	34,876	34,876	34,876	34,876	34,876	34,712	34,712	34,712	34,712
Percent Use	5.58%	5.62%	5.68%	5.80%	5.82%	5.87%	5.82%	5.82%	5.82%
Total	624,469	620,359	614,231	600,839	599,431	591,843	596,244	596,244	596,446
Unassigned	6,961	6,961	6,961	6,961	6,961	6,961	6,961	6,961	6,961
Parking Facilities									
Parking spaces available	4,535	4,535	4,461	4,460	4,460	4,354	4,271	4,271	4,271
Number of employees	584	689	998	998	998	981	1,203	1,212	1,236
Number of students ²	3,951	3,846	3,472	3,472	3,472	3,373	3,068	3,059	3,085

¹ Latest available data

² Students park in spaces not designated

Note: All campuses are included.

Source: South Carolina Commission on Higher Education

OTHER INFORMATION



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MIDLANDS TECHNICAL COLLEGE

COLLEGE ACCREDITATION AS OF JUNE 30, 2013

Midlands Technical College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate degrees, diplomas and certificates. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of Midlands Technical College.

Program Approval and Accreditations

The Legal Assistant/Paralegal program is approved respectively by:

- American Bar Association

The Nursing programs are approved by:

- South Carolina Board of Nursing

Specific programs are accredited by:

- American Society of Health-System Pharmacists (ASHP)
- Accreditation Commission for Education in Nursing (ACEN)
- Accreditation Council for Business Schools and Programs (ACBSP)
- Commission on Dental Accreditation of the American Dental Association (CODA-ADA)
- Commission on Accreditation in Physical Therapy Education (CAPTE)
- Commission on the Accreditation for Health Informatics and Information Management (CAHIIM)
- Commission on Accreditation for Respiratory Care (COARC)
- Council on Accreditation of Allied Health Education Programs (CAAHEP)
 - Accreditation Review Council on Education in Surgical Technology and Surgical Assisting (ARC-STSA)
 - Medical Assisting Education Review Board (MAERB)
- Joint Review Committee on Educational Programs in Nuclear Medicine Technology (JRCNMT)
- Joint Review Committee on Education in Radiologic Technology (JRCERT)
- National Accrediting Agency for Clinical Laboratory Sciences (NAACLS)
- National Association for the Education of Young Children (NAEYC)
- National Automotive Technicians Education Foundation (NATEF)
- National Council for Standards in Human Services Education (NCSHSE)
- National Institute for Metalworking Skills (NIMS)
- Printing Industries of America (PIA)
- South Carolina Board of Nursing (SCBN)
- Technology Accreditation Commission of the Accreditation Board for Engineering and Technology; Architectural, Civil and Electronics Engineering Technology (ABET)

STATEMENT OF NONDISCRIMINATION

Midlands Technical College does not discriminate in admissions or employment on the basis of race, sex, national origin or ethnic group, color, age, religion, disability, genetic information, military service, or pregnancy. In compliance with Title VII of the Civil Rights Act of 1964 and Title IX of the Education Amendments of 1972, Sections 503 and 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1992, and the Genetic Information Nondiscrimination Act of 2008 (GINA), Midlands Technical College offers access and equal opportunity in its admissions policies, academic programs and services, and employment of disabled individuals in that no otherwise qualified person will be denied these provisions on the basis of a disability. Dr. Ronald L. Rhames has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice regulations, Sections 503 and 504 of the Rehabilitation Act of 1973, and Title VII and Title IX regulations. Information concerning the provisions of the American with Disabilities Act and the rights and privileges thereunder are available from Dr. Rhames in his position as the Senior Vice President for Business Affairs and Compliance Officer for Affirmative Action, Equal Opportunity, Sexual Harassment and Disability Action. He can be reached at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, (803) 822-3261.

STATEMENT OF GAINFUL EMPLOYMENT

For information about MTC graduation rates, the median debt of students who completed their programs, and other information, please visit our website at www.midlandstech.edu/gep.

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FEDERAL AWARDS

Single Audit and other Compliance Reports Section



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MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2013

		<u>Federal CFDA Number</u>	<u>Program Year</u>	<u>Program or Award Amount</u>	<u>Accrued Revenue at 7/1/2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Accrued Revenue at 6/30/2013</u>
U.S. DEPARTMENT OF EDUCATION								
Student Financial Assistance Cluster								
9840222	Federal Supplemental Educational Opportunity Grants (SEOG)	84.007A	11/12	\$ 434,459	\$ 6,598	\$ (6,598)	\$ -	\$ -
9840223	Federal Supplemental Educational Opportunity Grants (SEOG)	84.007A	12/13	417,600	-	(413,460)	417,600	4,140
				852,059	6,598	(420,058)	417,600	4,140
9840100	Federal Work-Study Program (CWS)	84.033A	12/13	44,750	3,758	(46,789)	44,750	1,719
9840120	Federal Work-Study Program (CWS)	84.033A	12/13	402,752	36,532	(383,911)	375,514	28,135
9840141	Federal Work-Study Program (CWS-Summer)	84.033A	11/12	62,915	-	(51,793)	51,793	-
				510,417	40,290	(482,493)	472,057	29,854
9840322	Federal Pell Grant Program	84.063	11/12	25,000,000	(25,160)	27,909	(2,749)	-
9840323	Federal Pell Grant Program	84.063	12/13	27,000,000	-	(24,947,366)	24,968,755	21,389
				52,000,000	(25,160)	(24,919,457)	24,966,006	21,389
9090022	Federal Direct Student Loans	84.268	11/12	25,000,000	(36,111)	(100,403)	136,514	-
9090023	Federal Direct Student Loans	84.268	12/13	25,000,000	-	(25,011,155)	25,067,081	55,926
9090052	Federal Direct Student Loans (PLUS)	84.268	11/12	450,000	-	(3,494)	3,494	-
9090053	Federal Direct Student Loans (PLUS)	84.268	12/13	450,000	-	(338,932)	349,635	10,703
				50,900,000	(36,111)	(25,453,984)	25,556,724	66,629
Total Student Financial Assistance Cluster				104,262,476	(14,383)	(51,275,992)	51,412,387	122,012
TRIO Cluster								
9842111	TRIO-Upward Bound	84.047A	10/11	296,334	4,729	(4,729)	-	-
9842112	TRIO-Upward Bound	84.047A	11/12	287,148	74,519	(131,257)	57,358	620
9842113	TRIO-Upward Bound	84.047A	12/13	296,334	-	(155,149)	230,906	75,757
				879,816	79,248	(291,135)	288,264	76,377
9842212	TRIO-Talent Search	84.044A	11/12	355,928	34,297	(98,617)	64,466	146
9842213	TRIO-Talent Search	84.044A	12/13	355,928	-	(264,481)	293,827	29,346
				711,856	34,297	(363,098)	358,293	29,492
9842312	TRIO-Student Support Services (SSS)	84.042A	11/12	281,511	32,629	(80,338)	47,709	-
9842313	TRIO-Student Support Services (SSS)	84.042A	12/13	281,511	-	(209,539)	232,125	22,586
				563,022	32,629	(289,877)	279,834	22,586
9842412	TRIO-Educational Opportunity Center (EOC)	84.066A	11/12	230,000	20,551	(83,270)	62,719	-
9842413	TRIO-Educational Opportunity Center (EOC)	84.066A	12/13	230,000	-	(144,273)	164,683	20,410
				460,000	20,551	(227,543)	227,402	20,410
Total TRIO Cluster				2,614,694	166,725	(1,171,653)	1,153,793	148,865

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2013

		<u>Federal CFDA Number</u>	<u>Program Year</u>	<u>Program or Award Amount</u>	<u>Accrued Revenue at 7/1/2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Accrued Revenue at 6/30/2013</u>
Passed Through S.C. Department of Education								
9843003	Career & Technical Education, Perkins IV (13VA409)	84.048	12/13	599,004	99,060	(553,807)	594,554	139,807
	Total Passed Through S.C. Department of Education			599,004	99,060	(553,807)	594,554	139,807
Passed Through the University of South Carolina								
9843252	Special Education-Personnel Development	84.325N	11/12	15,985	2,015	(4,272)	2,258	1
9843253	Special Education-Personnel Development	84.325N	12/13	12,998	-	(7,224)	9,383	2,159
	Total Passed Through the University of South Carolina			28,983	2,015	(11,496)	11,641	2,160
TOTAL U.S. DEPARTMENT OF EDUCATION				107,505,157	253,417	(53,012,948)	53,172,375	412,844
U.S. DEPARTMENT OF LABOR								
9172682	H-1B Training Grants, Growing Resources for Information Technology (GRIT), Yr.1	17.268	11/12	1,249,985	2,294	(857,047)	896,679	41,926
9172683	H-1B Training Grants, Growing Resources for Information Technology (GRIT), Yr.2	17.268	12/13	1,242,900	-	(653)	1,809	1,156
				2,492,885	2,294	(857,700)	898,488	43,082
Passed Through Midlands Workforce Development Board								
9170522	WIA-Youth Activities (12Y694C1)	17.259	12/13	775,345	22,380	(146,894)	158,441	33,927
	Total Passed Through Midlands Workforce Development Board			775,345	22,380	(146,894)	158,441	33,927
Passed Through Florence-Darlington Technical College								
9172822	Trade Adjustment Assistance Community College & Career Training Grant, ASSIST	17.282	11/12	279,942	145	(126,647)	161,860	35,358
9172823	Trade Adjustment Assistance Community College & Career Training Grant, ASSIST	17.282	12/13	266,510	-	-	1,861	1,861
	Total Passed Through Florence-Darlington Technical College			546,452	145	(126,647)	163,721	37,219
TOTAL U.S. DEPARTMENT OF LABOR				3,814,682	24,819	(1,131,241)	1,220,650	114,228
NATIONAL SCIENCE FOUNDATION								
Passed Through South Carolina State University								
9470112	Education and Human Resources Grant, SCAMP	47.076	11/12	33,978	2,160	(20,622)	18,462	-
	Total Passed Through South Carolina State University			33,978	2,160	(20,622)	18,462	-
Passed Through the University of South Carolina								
9470762	Education and Human Resources Grant, NOYCE	47.076	11/12	2,435	636	(977)	341	-
9470763	Education and Human Resources Grant, NOYCE	47.076	12/13	6,408	-	(1,679)	2,128	449
	Total Passed Through the University of South Carolina			8,843	636	(2,656)	2,469	449
Passed Through Indian River Community College								
9477612	Education and Human Resources Grant, RCNET	47.076	11/12	105,660	14,830	(36,965)	22,135	-
9477613	Education and Human Resources Grant, RCNET	47.076	12/13	102,830	-	(64,868)	84,282	19,414
	Total Passed Through Indian River Community College			208,490	14,830	(101,833)	106,417	19,414
TOTAL NATIONAL SCIENCE FOUNDATION				251,311	17,626	(125,111)	127,348	19,863

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2013

	<u>Federal CFDA Number</u>	<u>Program Year</u>	<u>Program or Award Amount</u>	<u>Accrued Revenue at 7/1/2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Accrued Revenue at 6/30/2013</u>
NUCLEAR REGULATORY COMMISSION							
9770060 Nuclear Education Grant Program, Curriculum Development	77.006	10/11	198,665	7,821	(7,821)	-	-
TOTAL NUCLEAR REGULATORY COMMISSION			198,665	7,821	(7,821)	-	-
U.S. DEPARTMENT OF ENERGY							
9811212 Nuclear Energy Research, Development and Demonstration	81.121	11/12	123,000	51,532	(53,030)	1,498	-
TOTAL U.S. DEPARTMENT OF ENERGY			123,000	51,532	(53,030)	1,498	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through South Carolina First Steps							
9843201 Childcare and Development Block Grant, TEACH Bins	93.575	12/13	5,466	(5,466)	-	5,466	-
9843210 Childcare and Development Block Grant, TEACH CE	93.575	12/13	3,955	(1,955)	(2,000)	2,875	(1,080)
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			9,421	(7,421)	(2,000)	8,341	(1,080)
DEPARTMENT OF JUSTICE							
Passed Through South Carolina Department of Public Safety, Office of Justice Programs							
9166072 Bulletproof Vest Partnership Program	16.607	11/12	712	712	(712)	712	712
TOTAL DEPARTMENT OF JUSTICE			712	712	(712)	712	712
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) FUNDS							
Passed Through the South Carolina Energy Office							
9810410 State Energy Program, SCEO ARRA 75% Grant Funds**	81.041	09/10	175,728	29,742	(29,742)	-	-
Total Passed Through the South Carolina Energy Office			175,728	29,742	(29,742)	-	-
TOTAL AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) FUNDS			175,728	29,742	(29,742)	-	-
TOTAL FEDERAL ASSISTANCE			\$ 112,078,676	\$ 378,248	\$ (54,362,605)	\$ 54,530,924	\$ 546,567

**Note: 25% of these funds were a non-interest bearing loan to the college from the SC Energy Office. In FY 12/13, the college had receipts and disbursements of \$9,914 and \$0, respectively.

MIDLANDS TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

1. Description

Midlands Technical College (the College) has adopted the Federal Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (as revised). For purposes of implementing OMB Circular A-133, federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Principles

Basis of Presentation

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the College on the accrual basis, during its fiscal year July 1, 2012, through June 30, 2013.

DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

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FAX: (803) 771-6001

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The President and Members of the Area Commission
Midlands Technical College
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit Midlands Technical College (the "College"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "P. J. Williamson, C.C.P." The signature is written in a cursive style.

Columbia, South Carolina

September 23, 2013

DELOACH & WILLIAMSON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
1401 MAIN STREET, SUITE 660
COLUMBIA, SOUTH CAROLINA 29201

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

The President and Members of the Area Commission
Midlands Technical College
Columbia, South Carolina

We have audited Midlands Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Midlands Technical College's compliance.

Opinion on Each Major Federal Program

In our opinion, Midlands Technical College's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Columbia, South Carolina

September 23, 2013

MIDLANDS TECHNICAL COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Midlands Technical College.
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Midlands Technical College were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of major federal awards is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Midlands Technical College expresses an unmodified opinion.
6. No audit findings were reported relative to the major federal award programs for Midlands Technical College as depicted below in this schedule.
7. Major federal programs:

Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	CFDA #84.007
Federal Work-Study Program	CFDA #84.033
Federal Pell Grant Program	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
TRIO Cluster	
Student Support Services	CFDA #84.042
Talent Search	CFDA #84.044
Upward Bound	CFDA #84.047
Educational Opportunity Center	CFDA #84.066
H-1B Training Grants Growing Resources for Information Technology	CFDA #17.268
8. The threshold for distinguishing between Type A and Type B Programs was \$300,000.
9. Midlands Technical College did qualify as a low risk auditee.

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

No findings or questioned costs.

Status of Prior Year Findings:

None were reported.